



Grand Field Group Holdings Limited

(incorporated in Bermuda with limited liability)
(Stock Code :115)



2006
Interim Report

The Board of Directors of Grand Field Group Holdings Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 as set out below:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	<i>Notes</i>	Unaudited Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000
Turnover	2	6,109	5,729
Cost of sales		(4,806)	(2,545)
Gross profit		1,303	3,184
Other revenue		562	502
Distribution costs		(617)	(953)
Administrative expenses		(4,533)	(6,004)
Loss from operations		(3,285)	(3,271)
Finance costs		(1,330)	(1,555)
Loss before income tax	3	(4,615)	(4,826)
Income tax	4	(2)	(42)
Loss for the period attributable to shareholders		(4,617)	(4,868)
Loss per share			
– Basic	6	(0.226) cents	(0.238) cents
– Diluted	6	N/A	N/A

The notes on page 6 to 12 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	<i>Notes</i>	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
ASSETS			
Non-current assets			
Investment properties	7	73,924	73,924
Property, plant and equipment		20,659	21,149
Prepaid premium for land leases		1,163	1,189
Mortgage loans receivables due after one year	8	11,600	12,501
Deposits for acquisition of land		181,399	179,669
Pledged bank deposits		3,736	5,212
Properties held for development		14,325	14,111
Total non-current assets		306,806	307,755
Current assets			
Properties held for sale		27,686	32,242
Prepaid premium for land leases		75	74
Mortgage loans receivables	8	12,321	12,622
Other receivables, deposits and prepayments		21,349	21,783
Cash and bank balances		1,070	1,375
Total current assets		62,501	68,096
Total assets		369,307	375,851
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Capital		40,933	40,933
Reserves		174,288	171,832
Retained earnings		104,659	109,276
Total equity		319,880	322,041

The notes on page 6 to 12 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	<i>Notes</i>	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
LIABILITIES			
Non-current liabilities		2,546	4,958
Current liabilities			
Current portion of interest-bearing borrowings	10	23,852	26,776
Trade payables, deposits and accruals	9	11,484	10,999
Deposits received on properties held for sale		561	302
Amounts due to a director		7,147	6,578
Taxes payable		3,837	4,197
Total current liabilities		46,881	48,852
Total liabilities		49,427	53,810
Total equity and liabilities		369,307	375,851
Net current assets		15,620	19,244
Total assets less current liabilities		322,426	326,999

The notes on page 6 to 12 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Share capital	Share premium	Special reserve	Translation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2005	40,933	163,446	(2,215)	3,255	126,835	332,254
Net loss for the period	-	-	-	-	(4,868)	(4,868)
2004 final dividend	-	-	-	-	(16,373)	(16,373)
Balance at 30 June 2005	40,933	163,446	(2,215)	3,255	105,594	311,013
Balance at 1 January 2006	40,933	163,446	(2,215)	10,601	109,276	322,041
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	2,456	-	2,456
Net loss for the period	-	-	-	-	(4,617)	(4,617)
Balance at 30 June 2006	40,933	163,446	(2,215)	13,057	104,659	319,880

The notes on page 6 to 12 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	3,017	(4,541)
Net cash generated/(used in) from investing activities	1,435	(315)
Net cash used in financing activities	(5,214)	(6,044)
Net decrease in cash and cash equivalents	(762)	(10,900)
Cash and cash equivalents at 1 January	1,375	15,131
Effect of foreign exchange rate changes	10	–
Cash and cash equivalents at 30 June	623	4,231
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	1,070	4,231
Bank overdraft, secured	(447)	–
	623	4,231

The notes on page 6 to 12 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was approved and authorized for issuance by the Board of Directors on 25 September 2006.

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

The accounting policies adopted in the interim financial report are consistent with those of the annual accounts for the year ended 31 December 2005. The new/revised standards, amendments to standards and interpretations, which became effective for the accounting periods on or after 1 January 2006, did not result in substantial changes to the Group’s balance sheet and income statement.

2. TURNOVER

The Group is principally engaged in property development and investment. The Group’s turnover comprises sales on properties held for sale and property rental.

No geographical analysis are presented for the period as substantially all the Group’s turnover and contribution to results were derived from the business of property in the PRC.

3. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable		
– Within five years	1,330	1,104
– Over five years	–	451
Amortization of prepaid premium for land leases	38	36
Staff costs, including directors' remuneration		
– Contributions to defined contribution retirement plans	46	45
– Salaries and other staff costs	1,765	1,775
Depreciation	685	635
Amortization on investments in a property development joint venture	–	1,080
Cost of properties held for sale sold	4,806	2,189
Minimum lease payments on properties under operating leases	141	112
Net exchange losses/(gains)	(173)	206
Gross rental income from investment properties (<i>Note</i>)	(931)	(1,766)
Interest income	(23)	(22)

Note: The outgoings related to the gross rents from investment properties for each of the two periods ended 30 June 2006 and 2005 are negligible.

4. INCOME TAX

	Six months ended 30 June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Income tax in the PRC		
– Subsidiaries incorporated in Hong Kong with property development investments in the PRC	2	42
	2	42

Enterprise income tax for the subsidiary incorporated in the PRC is calculated at 15% of the estimated assessable profit for the period (six months ended 30 June 2005: 15%).

Enterprise income tax for the subsidiaries incorporated in Hong Kong, which have property development investments in the PRC is calculated at 3% (six months ended 30 June 2005: 3%) of the sales revenue on respective property development projects.

No provision for Hong Kong profit tax has been made as the Group's income neither arises, nor is derived from, Hong Kong in both financial periods.

Deferred tax has not been provided (six months ended 30 June 2005: Nil) because the Company and the Group had no significant temporary differences at the balance sheet date.

5. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the period under review (six months ended 30 June 2005: Nil).

6. LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to shareholders for the six months ended 30 June 2006 of HK\$4,617,000 (six months ended 30 June 2005: loss HK\$4,868,000) and on the weighted average number of ordinary shares of 2,046,650,000 (six months ended 30 June 2005: 2,046,650,000 shares).

No diluted loss per share has been presented for the six months ended 30 June 2006 because the exercise of the Company's outstanding share options would have an anti-dilutive effect in the loss per share.

7. INVESTMENT PROPERTIES

Investment properties were assessed annually by BMI Appraisals Limited (“BMI”), an independent professional valuer. The valuation is performed on the basis of open market value of each individual property. On 26 April 2006, BMI issued a valuation report of the investment properties as at the date of 31 December 2005. The Directors have considered that there are no significant changes by the market on the valuation of investment property since 31 December 2005 except for adjustment for the appreciation of Renminbi (“RMB”) against Hong Kong Dollar (“HKD”). Therefore, the Directors considered that the fair value of investment property at 30 June 2006 is approximately the same as that of 31 December 2005.

8. MORTGAGE LOANS RECEIVABLES

	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
Total loans receivables, secured	23,921	22,347
Add: Write-back of provision for doubtful and bad debts	–	2,776
	23,921	25,123
Less: Balance due within one year included under current assets	(12,321)	(12,622)
Balance due after one year	11,600	12,501

The carrying amount of the current portion and non-current portion of mortgage loans receivables approximates to fair value. The fair value is determined based on cash flows discounted using the Group’s major bank borrowings rate of 7.25% per annum (31 December 2005: 7.25%).

9. TRADE PAYABLES, DEPOSITS AND ACCRUALS

Ageing analysis of trade payables is as follows:

	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
Current to 90 days	–	20
91 to 180 days	–	–
181 to 360 days	12	12
Over 360 days	4,388	4,346
	4,400	4,378

10. INTEREST-BEARING BORROWINGS

	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
Loan from a third party, unsecured and wholly repayable		
– On demand or within one year	1,852	1,834
– Between one and two years	1,387	2,039
– Between two and five years	1,159	2,919
	4,398	6,792
Less: Portion classified as current liabilities	(1,852)	(1,834)
Total shown as non-current liabilities	2,546	4,958
Current portion of loan from a third party	1,852	1,834
Bank overdraft, secured	447	–
Short-term loan from a third party	194	–
Secured bank loans	21,359	24,942
Total shown as current liabilities	23,852	26,776

Interest of the loan from a third party is charged on the outstanding balances at a rate of 11.4% (31 December 2005: 11.4%) per annum. The loans are repaid through monthly installments up to 15 June 2010.

The secured bank overdraft is charged on the outstanding balances at a rate ranged from 8% to 8.25% (31 December 2005: Nil) per annum and it is secured by the buildings of the Group with a carrying amount of approximately HK\$4.8 million (31 December 2005: HK\$4.9 million).

Unsecured short-term loan from a third party is charged on the outstanding balances at a rate of 12.6% (31 December 2005: Nil) per annum.

Interest of the bank loans is charged on the outstanding balances at a rate of 7.25% (31 December 2005: 7.25%) per annum. These are secured to the extent of the Group's assets as follows:

- a) Investment properties of the Group with a carrying amount of approximately HK\$25.9 million (31 December 2005: HK\$24 million); and
- b) Properties held for sale of the Group with a carrying amount of approximately HK\$11.6 million (31 December 2005: HK\$8.5 million).

11. CONTINGENT LIABILITIES

As at 30 June 2006, the Company has given corporate guarantees to a bank in respect of fully utilized general banking facilities granted to a subsidiary amounted to HK\$4 million (31 December 2005: HK\$4 million).

In the opinion of the Directors, the total Land Appreciation Tax (LAT) related to the properties sold during the years ended 1999,2000 and 2001 in the amount of approximately HK\$17.4 million has not yet been levied by the tax authorities of Shenzhen, the PRC and the Directors consider that there is low possibility that LAT will be levied. Should the levies applied to the properties sold in 1999,2000 and 2001, then additional LAT attributable to the Group amount to approximately HK\$17.4 million (31 December 2005: HK\$17.3 million).

12. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	30 June 2006 Unaudited HK\$'000	31 December 2005 Audited HK\$'000
Capital expenditure in respect of property developments projects: Contracted but not provided for	1,596	1,581
	1,596	1,581

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business review

The Group's turnover for the six months ended 30 June 2006 comprised sales of properties amounted to approximately HK\$5.2 million (six months ended 30 June 2005: HK\$4 million) and rental income amounted to approximately HK\$0.9 million (six months ended 30 June 2005: HK\$1.7 million). Gross profit for the six months ended 30 June 2006 was approximately HK\$1.3 million (six months ended 30 June 2005: HK\$3.2 million), a decrease of approximately 59.1% as compared with the corresponding period in 2005. Distribution cost, Administrative expenses and Finance costs as compared with the corresponding period in 2005 dropped approximately by 35.3% to HK\$0.6 million, by 24.5% to HK\$4.5 million and by 14.5% to HK\$1.3 million respectively for the period under review.

In the first half of 2006, the State Council of China issued a document containing six directive measures with an aim to keep a rein on the overheated domestic property market and balance out the asymmetric development of the property markets in some regions across the PRC. These measures included lifting-up the payment deposit for purchase of property, increase of supply for saleable residential unit with area under 90 square meter, control of supply for luxury house, introduction of business tax for transfer of properties within 5 years after purchase, etc.

Under such tightening occasion, the Directors believe that the more appropriate strategies are to uphold the Group's existing resources, lower down the Group's liabilities and to take a prudent view in seeking for future suitable development opportunities.

2. Liquidity and financial resources

As at 30 June 2006, the Group's cash and bank deposits were approximately HK\$1.1 million (31 December 2005: HK\$1.4 million). The percentage of cash and bank deposits denominated in HKD and RMB were 11% and 89% respectively (31 December 2005: 53% and 47% respectively).

As at 30 June 2006, the Group recorded total current assets of approximately HK\$63 million (31 December 2005: HK\$68 million) and total current liabilities of approximately HK\$47 million (31 December 2005: HK\$49 million). The Group recorded total assets of approximately HK\$369 million (31 December 2005: HK\$376 million) and the Group's total interest bearing borrowings amounted to approximately HK\$26.4 million (31 December 2005: HK\$31.7 million), of which HK\$23.8 million was repayable within 1 year (31 December 2005: HK\$26.8 million), HK\$1.4million was repayable from 1 to 2 years (31 December 2005: HK\$2 million) and HK\$1.2 million was repayable from 2 to 5 years (31 December 2005: HK\$2.9 million). Approximately over 98% (31 December 2005:100%) of the Group's borrowings for the period under review were denominated at RMB and at fixed interest rate.

The gearing ratio for the six months ended 30 June 2006, which was calculated on the basis of total borrowings to shareholders' equity, was 8% (31 December 2005: 10%).

3. Employees

For the period under review, the Group employed 47 employees (31 December 2005: 62) and the related staff cost amounted to approximately HK\$1.8 million (31 December 2005: HK\$3.8 million). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from base salary and statutory provident fund scheme, employees will also be offered discretionary bonus based on the results of the Group and their individual performance. No new share option under the Company's share option scheme was granted to employee of the Group during the period under review.

4. Capital structure

There was no change to the Group's capital structure for the six months ended 30 June 2006 and 30 June 2005.

5. Prospects

Given the sustained steady growth of the PRC economy, the Directors believe that the various austerity measures will eventually fine tune the overall PRC property market and make the market to develop itself into a more structured way in which the market price shall be sensible in adjusting to its equilibrium level. The Group is still confident in the future prosperity of the PRC property market and is actively engaged in the planning of development for a project site in Buji city of Shenzhen, the PRC and substantial returns will be expected from the completion of this property project.

6. Exchange risk

The Group's major operations are located in the PRC and the main operational currencies are HKD and RMB. There is a continuing trend developed for appreciation of RMB against HKD since the middle of last year and the movement of such was acting favourable to the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimize the foreign exchange risk and exposure.

7. Charge on assets

Investment properties with a carrying amount of approximately HK\$25.9 million (31 December 2005: HK\$24 million), and Properties held for sale with a carrying amount of approximately HK\$11.6 million (31 December 2005: HK\$8.5 million) have been pledged to the banks to secure bank loans granted to the companies within the Group.

Buildings with a net book value amounted to approximately HK\$4.8 million (31 December 2005: HK\$4.9 million) have been pledged to banks to secure bank overdraft facilities granted to the Group.

Bank deposits of the Group amounted to approximately HK\$3.7 million (31 December 2005: HK\$5.2 million) have been pledged as a security for the mortgage loans made available from the banks to the buyers of the Group's properties.

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND OPTIONS

1. Long positions in shares of the Company

As at 30 June 2006, the interests and long positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows:

Name of director	Personal interest	Number of ordinary shares held			Total interests	Total interests as percentage of the issued share capital
		Family interests	Corporate interests			
Mr. Tsang Wai Lun, Wayland	59,260,000	–	735,050,000 (Note)	794,310,000	38.81%	
Madam Kwok Wai Man, Nancy	8,220,000	–	735,050,000 (Note)	743,270,000	36.32%	
Mr. Lau Tam Wah	1,000,000	–	–	1,000,000	0.05%	

Note: These interests relate to the same shares held through Rhenfield Development Corp., the entire issued capital of which is owned by Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy in equal shares.

2. Share options in the Company

Details of the share options granted to the directors of the Company under the share option scheme are set out on pages 18 to 20.

3. Shares in subsidiaries

Each of Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy also has interests in the following non-voting deferred shares in the following subsidiaries of the Company:

	Grand Field Group Limited	Ka Fong Industrial Company Limited	Kwan Cheung Holdings Limited	Shing Fat Hong Limited
Mr. Tsang Wai Lun, Wayland	1 share of HK\$100	1,000 share of HK\$100 each	1 share of HK\$100	1 share of HK\$1
Madam Kwok Wai Man, Nancy	1 share of HK\$100	1,000 share of HK\$100 each	1 share of HK\$100	1 share of HK\$1

Other than the shareholdings disclosed above and nominee shares in certain subsidiaries held in trust for the Group, at 30 June 2006, neither the directors nor any of their associates, had any interests in any securities of the Company or any of its associated corporations as defined by the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2006, so far as is known to the directors, the following parties (other than the directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Name of shareholders	Number of ordinary shares	Percentage of interest
Worldgate Developments Ltd.	126,000,000	6.2%
Logistics China Enterprises Ltd.	126,000,000	6.2%

SHARE OPTION SCHEME

- (1) Pursuant to the Company's share option scheme adopted on 4 August 1999 (the "Old Share Option Scheme"), the Board may, at its discretion, grant options to eligible employees, including executive directors, of the Company and its subsidiaries to subscribe for Shares in the Company at a price not less than the higher of 80% of the average of the closing prices of the Shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the grant of the options and the nominal value of the Shares. The maximum number of Shares in respect of which options may be granted under the Old Share Option Scheme may not exceed 10% of the issued share capital of the Company from time to time and the maximum number of Shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of Shares which options may be granted.

The Board had granted 79,050,000 options to certain Directors and employees of the Group under the Old Share Option Scheme and 49,660,000 Options were still outstanding on 30 June 2006 as tabled below:–

Name or category of participant	Date of grant	Exercise price (HK\$)	Exercise period	Outstanding at 1/1/2006	Granted during the period	Lapsed during the period	Outstanding at 30/6/2006
Mr. Tsang Wai Lun, Wayland	25/11/2003	0.0650	25/11/2003 to 24/11/2006	4,950,000	-	-	4,950,000
Madam Kwok Wai Man, Nancy	25/11/2003	0.0650	25/11/2003 to 24/11/2006	4,950,000	-	-	4,950,000
Mr. Lau Tam Wah	25/11/2003	0.0650	25/11/2003 to 24/11/2006	3,200,000	-	-	3,200,000
Other employees, in aggregate	25/11/2003	0.0650	25/11/2003 to 24/11/2006	36,560,000	-	-	36,560,000
				49,660,000	-	-	49,660,000

The Old Share Option Scheme was subsequently terminated by the Company in the Company's Annual General Meeting held on 23 June 2006 but the share options granted and not yet exercised thereunder would however remain effective and exercisable by terms therein.

- (II) On 23 June 2006, the Company adopted a new share option scheme (the “New Share Option Scheme”), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contract to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the Shares under the New Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a Share.

The maximum number of Shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of Shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The New Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Scheme (i.e. from 23 June 2006).

As at 30 June 2006, no option was granted under the New Share Option Scheme.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has repurchased, sold, redeemed or cancelled any of the Company’s listed securities during the six months ended 30 June 2006.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2006, in compliance with the requirements of the code provisions in the Code of Corporate Governance Practices set out in Appendix 14 (the "Code Provision") to the Listing Rules except that:

1. the Independent Non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws; and
2. the Code Provision stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tsang Wai Lun, Wayland ("Mr. Tsang") is the founder, chairman and managing director of the Group. The Company does not at present have any officer with the title "chief executive officer" and Mr. Tsang has been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group and the Company. The Board intends to maintain this structure in the future as it believes this structure can ensure efficient and effective formulation and implementation of its business strategies and there is little chance of compromising the balance of power and authority between the Board and management of the Company.

CODE FOR DEALING IN COMPANY'S SECURITIES BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code").

All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the six months ended 30 June 2006.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. The Board has adopted a set of written terms of reference, which described the authority and duties of the Audit Committee, and the contents of which are in compliance with the Code Provisions and Recommended Best Practices of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code").

The Audit Committee is accountable to the Board and the principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee is also provided with other resources enabling it to discharge its duties fully.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and has discussed internal controls and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2006.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors. The Board has adopted a set of written terms of reference, which described the authority and duties of the Remuneration Committee, and the contents of which are in compliance with the Code Provisions and Recommended Best Practices of the CG Code.

The main responsibility of Remuneration Committee includes reviewing and making recommendation to the Board on the Company's policies, structure and remuneration packages of directors and senior management of the Group.

By order of the Board
Tsang Wai Lun, Wayland
Chairman

Hong Kong, 25 September 2006