



AsiaTeleMedia
亞洲電信媒體

Asia TeleMedia Limited

(Stock Code : 376)

2006
Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive:

LU Ruifeng (*Chairman and Chief Executive Officer*)

YIU Hoi Ying (*Director of Finance*)

Independent Non-Executive:

LU Ning

LI Chun

LAU Hak Lap

QUALIFIED ACCOUNTANT

CHAN Wai Yi

COMPANY SECRETARY

WONG Nam, Marian

REGISTERED OFFICE

2808, One Exchange Square

Central, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

STOCK CODE

376

WEBSITE

www.asiatelemedia.tv

The Board of Directors (the "Board") of Asia TeleMedia Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 June	
	<i>Notes</i>	2006 HK\$'000 (unaudited)	2005 <i>HK\$'000</i> (unaudited)
Revenue	5	2,759	1,951
Other operating income		306	444
Write-back of doubtful loans and bad debts		6	157
Depreciation of property, plant and equipment		(363)	(622)
Amortisation of intangible assets		(136)	(136)
Staff costs		(3,425)	(3,938)
Other operating expenses	6	(3,270)	(5,471)
Loss from operations		(4,123)	(7,615)
Finance costs		(2,039)	(2,034)
Loss before taxation		(6,162)	(9,649)
Taxation	7	-	-
Loss for the period		(6,162)	(9,649)
Loss per share	9	(0.42) cents	(0.66) cents
Basic and diluted			

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2006 HK\$'000 (unaudited)	31 December 2005 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		1,414	1,773
Interest in an associate		716	716
Intangible assets		950	1,086
Statutory and other deposits		405	430
Other asset		500	500
		3,985	4,505
Current assets			
Accounts receivable	10	11,818	7,348
Other receivable, deposits and prepayments		35,456	34,991
Bank balances – trust and segregated accounts		35,689	33,700
Bank balances (general accounts) and cash		1,084	3,899
		84,047	79,938
Current liabilities			
Accounts payable	11	43,763	40,085
Other payables and accrued charges		17,207	16,146
Loans payable	12	58,084	58,084
Amount due to an associate		700	700
Amount due to a director		16,829	11,781
Obligation under finance lease	13	86	79
		136,669	126,875
Net current liabilities		(52,622)	(46,937)
Non-current liabilities			
Obligation under finance lease	13	179	222
Net liabilities		(48,816)	(42,654)
Capital and reserves			
Share capital	14	291,505	291,505
Reserves	15	(340,321)	(334,159)
		(48,816)	(42,654)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Asset revaluation reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January, 2005	291,505	30,797	2,650	–	(345,519)	(20,567)
Loss for the period	–	–	–	–	(9,649)	(9,649)
As at 30 June 2005 and 1 July 2005	291,505	30,797	2,650	–	(355,168)	(30,216)
Loss for the period	–	–	–	–	(13,088)	(13,088)
Recognition of equity-settled share based payments	–	–	–	650	–	650
As at 31st December, 2005	291,505	30,797	2,650	650	(368,256)	(42,654)
Loss for the period	–	–	–	–	(6,162)	(6,162)
As at 30 June 2006	291,505	30,797	2,650	650	(374,418)	(48,816)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006 <i>HK\$'000</i> (unaudited)	2005 <i>HK\$'000</i> (unaudited)
Net cash used in operating activities	(7,812)	(28,082)
Net cash used in investing activities	–	(18)
Net cash from (used in) financing activities	4,997	(61)
Net decrease in cash and cash equivalents	(2,815)	(28,161)
Cash and cash equivalents at 1 January	3,899	33,618
Cash and cash equivalents at 30 June	1,084	5,457
Analysis of the balances of cash and cash equivalents		
Bank balances (general accounts) and cash	1,084	5,457

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The nature of operations of the Group and its principal activities have not changed during the period and consisted of securities broking, asset management, underwriting, share margin financing and investment holdings.

2. BASIS OF PREPARATION

(a) The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules ") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

(b) In preparing the condensed financial statements, the Directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its net current liabilities of HK\$52,622,000 and net liabilities of HK\$48,816,000 as at 30 June 2006. The Directors are taking active steps to improve the liquidity position of the Group. Included in the condensed consolidated balance sheet at 30 June 2006 is a loan payable of HK\$58,084,000 owed to a third party. The Company is in the process of negotiation with the third party for settlement of the loan. Provided that the repayment arrangement of the loan can be agreed upon, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results have been prepared in accordance with the new Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants.

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of intangible assets, and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

4. BUSINESS SEGMENTS

For management purposes, the Group is currently organised into two main operating segments, namely financial services and investment holdings. Financial services comprises securities broking, asset management, underwriting and share margin financing services.

Both financial services and investment holdings are based in Hong Kong. The business segments are shown as follows:

Income statement for the six months ended 30 June 2006

	Financial services HK\$'000	Investment holdings HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	2,758	1	2,759
Total revenue	<u>2,758</u>	<u>1</u>	<u>2,759</u>
RESULT			
Segment loss	<u>(591)</u>	<u>(3,838)</u>	<u>(4,429)</u>
Other operating income			<u>306</u>
Loss from operations			<u>(4,123)</u>
Finance costs			<u>(2,039)</u>
Loss before taxation			<u>(6,162)</u>
Taxation			-
Loss for the period			<u>(6,162)</u>

4. BUSINESS SEGMENTS (Continued)

Income statement for the six months ended 30 June 2005

	Financial services <i>HK\$'000</i>	Investment holdings <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales	1,944	7	1,951
Total revenue	<u>1,944</u>	<u>7</u>	<u>1,951</u>
RESULT			
Segment loss	<u>(1,622)</u>	<u>(6,437)</u>	(8,059)
Other operating income			<u>444</u>
Loss from operations			(7,615)
Finance costs			<u>(2,034)</u>
Loss before taxation			(9,649)
Taxation			–
Loss for the period			<u>(9,649)</u>

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5. REVENUE

	Six months ended 30 June	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Brokerage and commission income	2,658	1,751
Interest income	101	98
Management fees income	–	102
	<u>2,759</u>	<u>1,951</u>

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Included in other operating expenses are:		
Rentals in respect of office premises	1,091	1,660

7. TAXATION

No provision for Hong Kong Profits Tax was made for both periods as the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward for the two periods ended 30 June 2006 and 2005.

As at 30 June 2006, the Group has estimated unused tax losses of HK\$265 million (2005: HK\$259 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams, and no deferred tax liabilities in respect of accelerated depreciation allowance have been recognised as the amount involved is insignificant.

8. DIVIDENDS

As at 30 June 2006, the Company did not have any reserves available for cash distribution. However, the Company's share premium account may be distributed in the form of fully-paid bonus shares. The Board does not recommend the payment of an interim dividend (2005: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of approximately HK\$6,162,000 (2005: HK\$9,649,000) and 1,457,527,296 (2005: 1,457,527,296) shares in issue during the period.

The computation of diluted loss per share does not assume the exercise of the Company's options because their exercise would reduce loss per share.

10. ACCOUNTS RECEIVABLE

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Margin clients	26,180	26,186
Cash clients	8,564	6,707
Brokers, dealers and clearing houses	3,254	641
	37,998	33,534
Less: Allowance for doubtful debts	(26,180)	(26,186)
	11,818	7,348

The aged analysis of accounts receivable is as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Less than one month	11,685	7,231
Over one month but less than three months	43	37
Over three months	26,270	26,266
	37,998	33,534
Less: Allowance for doubtful debts	(26,180)	(26,186)
	11,818	7,348

The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date.

Receivable from margin clients are secured by margin clients' pledged securities, repayable on demand and bear interest with reference to commercial rates.

11. ACCOUNTS PAYABLE

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Margin clients	1,142	1,351
Cash clients	42,619	38,733
Brokers, dealers and clearing houses	1	1
	<u>43,762</u>	<u>40,085</u>

There was no payable to Directors for transactions in securities as at 30 June 2006, and the age of accounts payable is less than one month.

12. LOANS PAYABLE

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Loans payable	58,084	58,084
Less: portion due within one year	(58,084)	(58,084)
Non-current portion due over one year but less than two years	—	—
	<u>—</u>	<u>—</u>

Loans payable are unsecured and bear interest at 7% per annum for both periods.

13. OBLIGATION UNDER FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2006 HK\$'000	31 December 2005 HK\$'000	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Amount payable under finance lease				
Within one year	102	93	86	79
In the second to fifth year inclusive	212	264	179	222
	<u>314</u>	<u>357</u>		
Less: Future finance charges	(49)	(56)		
Present value of lease obligation	<u>265</u>	<u>301</u>	265	301
Less: Amount due for settlement within twelve months (shown under current liabilities)			(86)	(79)
Amount due for settlement after twelve months			<u>179</u>	<u>222</u>

It is the Group's policy to lease its motor vehicle under finance lease. The lease term is five years and the effective borrowing rate is 3.75%. Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's and the Company's obligation under finance lease is secured by the lessor's charge over the leased assets.

14. SHARE CAPITAL

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised: 2,000,000,000 shares	400,000	400,000
Issued and fully paid: 1,457,527,296 shares	291,505	291,505

15. RESERVES

	Share premium account HK\$'000	Asset revaluation reserve HK\$'000	Share option reserve HK'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2005	30,797	2,650	–	(345,519)	(312,072)
Loss for the period	–	–	–	(9,649)	(9,649)
As at 30 June 2005 and 1 July 2005	30,797	2,650	–	(355,168)	(321,721)
Loss for the period	–	–	–	(13,088)	(13,088)
Recognition of equity-settled share based payments	–	–	650	–	650
As at 31 December 2005	30,797	2,650	650	(368,256)	(334,159)
Loss for the period	–	–	–	(6,162)	(6,162)
As at 30 June 2006	30,797	2,650	650	(374,418)	(340,321)

16. RELATED PARTY TRANSACTIONS

The following summarises the significant related party transactions.

- (a) The Group granted the following related-party loans on 20 October 1998 to enable the borrowers to reduce the outstanding balances in their margin accounts. These loans are approved by shareholders in the extraordinary general meeting held on 23 July 1999 as required by the Listing Rules.

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship:	Companies controlled by Mr. SO Shu Ching, Jason, brother of an ex-director, Ms. SO Wai Yin, Irene	Company controlled by Ms. SO Wai Kwan, Sheila, sister of an ex-director, Ms. SO Wai Yin, Irene
Lender:	A wholly owned subsidiary, Mansion House Capital Limited	A wholly owned subsidiary, Mansion House Capital Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Partially secured by marketable securities and unlisted shares	Partially secured by marketable securities and unlisted shares
– repayment terms	By 14 equal instalments payable semi-annually with the last instalment due in May 2006	By 14 equal instalments payable semi-annually with the last instalment due in May 2006
Balance at 30 June 2006 (unaudited)	<u>HK\$73,769,288</u>	<u>HK\$7,074,379</u>
Balance at 31 December 2005 (audited)	<u>HK\$73,769,288</u>	<u>HK\$7,074,379</u>
Allowance at 30 June 2006	<u>HK\$73,769,288</u>	<u>HK\$7,074,379</u>

These loans were rescheduled in 1999 with the last instalment due in May 2006. However, the loans have been in default since 2000 and a total allowance of HK\$80,843,667 (2005: HK\$80,843,667) has been made.

16. RELATED PARTY TRANSACTIONS (Continued)

(b) The Group provided margin financing to the following related parties:

Borrower:	Dynamic Assets Limited and Pharmatech Management Limited	Noblesse Ventures Inc.
Relationship:	Companies controlled by Mr. SO Shu Ching, Jason, brother of an ex-director, Ms. SO Wai Yin, Irene	Company controlled by Ms. SO Wai Kwan, Sheila, sister of an ex-director, Ms. SO Wai Yin, Irene
Lender:	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited	A wholly owned subsidiary, Mansion House Securities (F.E.) Limited
Terms of the loan:		
– interest rate	Prime rate plus 1%	Prime rate plus 1%
– security	Marketable securities	Marketable securities
Balance at 30 June 2006 (unaudited)	<u>HK\$8,795,445</u>	<u>HK\$8,358,549</u>
Balance at 31 December 2005 (audited)	<u>HK\$8,795,445</u>	<u>HK\$8,358,549</u>
Allowance at 30 June 2006	<u>HK\$8,795,445</u>	<u>HK\$8,358,549</u>

The loans have been in default and a total allowance of HK\$17,153,994 (2005: HK\$17,153,994) has been made.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW & OUTLOOK

The Group recorded a revenue of approximately HK\$2.76 million for the six months ended 30 June 2006 compared to the revenue of approximately HK\$1.95 million for the corresponding period in 2005. The basic and diluted loss per share for the six months ended 30 June 2006 was HK0.42 cents, compared with the basic and diluted loss per share of HK0.66 cents for the previous period.

During the first half of 2006, our securities brokerage business recorded improved results compared with the corresponding period in 2005. However, the business of dealing in securities was at a difficult time as banks with strong financial background have successfully seized customers from securities houses by implementing commission-free services and active marketing promotions.

Since July 2006, The Stock Exchange of Hong Kong Limited has commenced the second phase of reducing minimum trading spreads for securities priced between \$2 and \$20. Due to the contraction of market transactions, it becomes more and more difficult for securities dealing operations. Nevertheless, many large-scale enterprises and banks from China have applied to be listed in Hong Kong. We will seize every business opportunity arising from the blossoming China market to consolidate the foundation of our securities investment business, with the aim to create promising return and to provide stable sources of income for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2006, the Group had net current liabilities of approximately HK\$52,622,000 (31 December 2005: HK\$46,937,000) and had cash and cash equivalents of approximately HK\$1,084,000 (31 December 2005: HK\$3,899,000). During the period, the Group has not made any bank borrowings (31 December 2005: Nil).

The Group's gearing ratio is 1.55 as at 30 June 2006 as compared with 1.51 as at 31 December 2005. The gearing ratio is calculated by dividing total liabilities by total assets.

TREASURY POLICIES

The business activities of the Group are mainly funded by shareholders' fund and cash generated from operating activities.

Foreign currency risk should not be significant to the Group since substantial assets and liabilities are either denominated in Hong Kong dollars or Renminbi which were quite stable during the period. No financial instruments have been employed for hedging purposes by the Group.

The Group is not exposed to significant capital market risk as the Group does not have material equity investments.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the period, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

EMPLOYEES

As at 30 June 2006, the Group employed 21 (31 December 2005: 21) staff in Hong Kong. Remuneration is reviewed annually and a discretionary bonus will be declared based on the performance of the staff. Also, the share option scheme adopted by the Company in June 2002 (the "2002 Share Option Scheme") is in operation.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30 June 2006, the interests of each director of the Company (the "Director") in the shares and share options of the Company, as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"), were as follows:

(A) ORDINARY SHARES OF HK\$0.20 EACH OF THE COMPANY (THE "SHARES")

Name of Director	Nature of interest	Number of Shares held (long position)	% of the issued share capital
Mr. LU Ruifeng	Held by controlled corporations (<i>Note</i>)	731,889,808	50.21%

Note: 730,500,000 Shares are owned by China United Telecom Limited, 35% of the entire issued share capital of which is held by Asia TeleMedia Holdings Limited. 1,389,808 Shares are owned by Asia TeleMedia Holdings Limited. Asia TeleMedia Holdings Limited is a company beneficially owned by Mr. LU Ruifeng. Mr. LU Ruifeng was deemed, by virtue of the SFO, to be interested in 731,889,808 Shares in aggregate.

(B) SHARE OPTIONS

Name of Director	Maximum number of Shares over which options are exercisable	Exercise price <i>HK\$</i>	Exercise period
Mr. LU Ruifeng	500,000	0.20	23/03/2005 to 22/03/2010
	500,000	0.20	23/03/2007 to 22/03/2010
Mr. YIU Hoi Ying	4,000,000	0.20	23/03/2005 to 22/03/2010
	4,000,000	0.20	23/03/2007 to 22/03/2010
Mr. LU Ning	500,000	0.20	23/03/2005 to 22/03/2010
	500,000	0.20	23/03/2007 to 22/03/2010
Mr. LI Chun	500,000	0.20	23/03/2005 to 22/03/2010
	500,000	0.20	23/03/2007 to 22/03/2010
Mr. LAU Hak Lap	500,000	0.20	23/03/2005 to 22/03/2010
	500,000	0.20	23/03/2007 to 22/03/2010

Save as disclosed above, as at 30 June 2006, none of the directors and chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept 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.

SHARE OPTION SCHEMES

Upon the adoption of the 2002 Share Option Scheme, the operation of the share option scheme adopted in February 1998 (the "1998 Share Option Scheme") was terminated such that no further options can thereafter be granted under the 1998 Share Option Scheme but in all other respects, the provisions of the 1998 Share Option Scheme remain in full force and effect.

The following table discloses details of the Company's share options held by the Directors and employees of the Group and movements in such holdings during the period.

Name of Scheme	Date of grant	Exercise period	Exercise price HK\$	Outstanding as at 1.1.2006	Granted during the period	Lapsed during the period	Outstanding as at 30.06.2006
1998 Share Option Scheme							
Employees	1.3.2001	1.9.2001-31.8.2006	0.38	400,000	-	-	400,000
2002 Share Option Scheme							
Directors							
Mr. LU Ruifeng	23.3.2005	23.3.2005-22.3.2010	0.20	500,000	-	-	500,000
		23.3.2007-22.3.2010	0.20	500,000	-	-	500,000
Mr. YIU Hoi Ying	23.3.2005	23.3.2005-22.3.2010	0.20	4,000,000	-	-	4,000,000
		23.3.2007-22.3.2010	0.20	4,000,000	-	-	4,000,000
Mr. LU Ning	23.3.2005	23.3.2005-22.3.2010	0.20	500,000	-	-	500,000
		23.3.2007-22.3.2010	0.20	500,000	-	-	500,000
Mr. LI Chun	23.3.2005	23.3.2005-22.3.2010	0.20	500,000	-	-	500,000
		23.3.2007-22.3.2010	0.20	500,000	-	-	500,000
Mr. LAU Hak Lap	23.3.2005	23.3.2005-22.3.2010	0.20	500,000	-	-	500,000
		23.3.2007-22.3.2010	0.20	500,000	-	-	500,000
Employees	23.3.2005	23.3.2005-22.3.2010	0.20	9,516,000	-	144,000	9,372,000
		23.3.2007-22.3.2010	0.20	9,516,000	-	144,000	9,372,000
				31,032,000	-	288,000	30,744,000
				31,432,000	-	288,000	31,144,000

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the interests of substantial shareholders of the Company, as recorded in the register required to be kept under Section 336 of the SFO, were as follows:–

Name of shareholder	Nature of interest	Number of Shares held (long position)	% of the issued share capital
China United Telecom Limited	Beneficial owner	730,500,000	50.12%
Asia TeleMedia Holdings Limited (Note 1)	Interest of controlled corporation	730,500,000	50.12%
	Beneficial owner	1,389,808	0.09%
Mr. LU Ruifeng (Note 2)	Interest of controlled corporations	731,889,808	50.21%
High Reach Assets Limited (Note 3)	Beneficial owner	197,500,000	13.55%
Mr. Evans Carrera LOWE (Note 4)	Interest of controlled corporations	255,780,387	17.55%
	Beneficial owner	33,320,804	2.29%

Notes:

1. Asia TeleMedia Holdings Limited owned 35% of the entire issued share capital of China United Telecom Limited, and was therefore deemed, by virtue of the SFO, to be interested in the 730,500,000 Shares held by China United Telecom Limited.
2. The entire issued share capital of Asia TeleMedia Holdings Limited was beneficially owned by Mr. LU Ruifeng. Mr. LU Ruifeng was deemed, by virtue of the SFO, to be interested in 731,889,808 Shares in aggregate.
3. The entire issued share capital of High Reach Assets Limited was beneficially owned by Mr. Evans Carrera LOWE.

4. Mr. Evans Carrera LOWE's interests in these Shares comprised 33,320,804 Shares registered under his name and 255,780,387 Shares held through his controlled corporations, as to 197,500,000 Shares held through High Reach Assets Limited, 44,227,947 Shares held through Global Source Company Limited, 9,374,800 Shares held through Supreme Grass Limited and 4,677,640 Shares held through Lowe Holdings Company Limited, Inc. Mr. Evans Carrera LOWE is deemed, by virtue of the SFO, to be interested in 289,101,191 Shares in aggregate, amounting to approximately 19.84% of the entire issued share capital of the Company.

Save as disclosed above, as at 30 June 2006, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company required to be recorded in the register kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares other than as an agent for clients of the Company's subsidiaries.

AUDIT COMMITTEE

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The Audit Committee has met to review the system of internal control and its compliance, and the results of the Group for the six months ended 30 June 2006. The audit committee comprises three members, Mr. LU Ning, Mr. LI Chun and Mr. LAU Hak Lap, all being independent non-executive directors of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the half-year ended 30 June 2006, except with deviations from Code provisions A.2.1 and A.4.1 in respect of the separate role of chairman and chief executive officer and service term of non-executive directors.

Under Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. At present, Mr. LU Ruifeng is the Chairman and the Chief Executive Officer of the Company responsible for overseeing the operations of the Group. The Board will continue to review the management structure, taking into consideration the nature and extent of the Group’s operation, and ensure a balance of power and authority at the Board level in accordance with the relevant principle of the CG Code.

Under Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company’s annual general meetings in accordance with the Company’s Articles of Association. As at each annual general meeting one-third of the Directors (or such number as nearest to one-third) must retire as Directors by rotation, each of the non-executive directors is effectively appointed for a term of approximately three years.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Model Code for Securities Transactions by Directors (“Model Code”) as set out in Appendix 10 of the Listing Rules has been adopted as part of the Corporate Governance Code of the Company. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months period ended 30 June 2006.

ADVANCES TO ENTITIES

As at 30 June 2006, the amounts due from Dynamic Assets Limited (“DAL”), Pharmatech Management Limited (“PML”) and Noblesse Ventures Inc. (“NVI”) before and after allowance are summarised below.

	DAL	PML	NVI
	before (after)	before (after)	before (after)
	allowance	allowance	allowance
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Margin loans (<i>Note 1</i>)	5,695,814 (Nil)	3,099,631 (Nil)	8,358,549 (Nil)
Other loans (<i>Note 2</i>)	45,491,023 (Nil)	28,278,265 (Nil)	7,074,379 (Nil)
Total loans	<u>51,186,837</u> (Nil)	<u>31,377,896</u> (Nil)	<u>15,432,928</u> (Nil)

Notes:

1. The amounts due result from share margin loans. A total allowance of HK\$17,153,994 has been made. Please refer to note 16(b) to the condensed financial statements for further details in relation to these loans.
2. These loans were approved by shareholders of the Company in an extraordinary general meeting held on 23 July 1999. A total allowance of HK\$80,843,667 has been made. Please refer to note 16(a) to the condensed financial statements for further details in relation to these loans.
3. Due to a consolidated deficiency in net tangible assets of approximately HK\$50.3 million as recorded at the balance sheet date, it is not practicable to express the amount of the above advances to each entity as a percentage of the consolidated net tangible assets value of the Group.

By order of the Board
LU Ruifeng
Chairman

Hong Kong, 26 September 2006