



Sun Man Tai Holdings Company Limited

(Incorporated in Bermuda with limited liability)

Stock code: 433



Interim Report
2006





CORPORATE INFORMATION

DIRECTORS

Executive Directors

Chiu Yeung
Ren Jun Tao
Jin Jiu Xin

Non-executive Director

Qian Yong Wei
(*Non-executive Chairman*)

Independent Non-executive Directors

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

COMPANY SECRETARY

Lo Wah Wai

AUDIT COMMITTEE

Mu Xiangming
Cheng Chak Ho
Lo Wa Kei Roy

REMUNERATION COMMITTEE

Lo Wa Kei Roy
Cheng Chak Ho
Chiu Yeung

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Wing Hang Bank Limited

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat A, 23/F
Empire Land Commercial Centre
83 Lockhart Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Corporate Services Limited
11 Rosebank Centre
Bermudiana Road
Hamilton
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
(Stock Code: 433)



The board of directors (the "Board") of Sun Man Tai Holdings Company Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	3	116,484	4,165
Cost of sales		(107,778)	(2,850)
Gross profit		8,706	1,315
Other income, net		42	91
Administrative expenses		(5,249)	(4,352)
Impairment loss on amount due from an associate		–	(605)
Profit/(Loss) from operations	4	3,499	(3,551)
Finance costs	5	(517)	(1,248)
Profit/(Loss) before tax		2,982	(4,799)
Taxation	6	–	–
Profit/(Loss) for the period		2,982	(4,799)
Attributable to:			
Equity holders of the Company		2,516	(4,199)
Minority interest		466	(600)
		2,982	(4,799)
Earnings/(Loss) per share			
– Basic	7	0.08 HK cents	(0.13 HK cents)
– Diluted		N/A	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	164,987	165,225
Investment properties		131,180	47,700
Available-for-sale financial assets		69,000	32,000
		<u>365,167</u>	<u>244,925</u>
Current assets			
Accounts receivable	11	112	146
Prepayments, deposits and other receivables		20,176	1,250
Investment deposits		32,000	58,720
Loan receivables		–	31,005
Other deposit		14,151	14,151
Cash and bank balances		19,066	6,664
		<u>85,505</u>	111,936
Non-current assets classified as held for sale		–	101,768
		<u>85,505</u>	213,704
Total assets		<u><u>450,672</u></u>	<u><u>458,629</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	33,139	33,139
Reserves		364,659	361,776
		<u>397,798</u>	394,915
Minority interests		22,484	22,951
Total equity		<u><u>420,282</u></u>	<u><u>417,866</u></u>



	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Note		
LIABILITIES		
Non-current liabilities		
Bank loans (secured)	14,432	14,707
Current liabilities		
Current portion of bank loans (secured)	730	735
Accounts payable	139	139
Other payables and accrued expenses	12,126	11,826
Amount due to ultimate holding company	–	10,192
Amount due to a director	–	201
Tax payable	2,963	2,963
	15,958	26,056
Total liabilities	30,390	40,763
Total equity and liabilities	450,672	458,629
Net current assets	69,547	187,648
Total assets less current liabilities	434,714	432,573
Net assets	397,798	394,915

Approved by the Board on 27 September 2006 and signed on its behalf by:

Chiu Yeung
Executive Director

Ren Jun Tao
Executive Director



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006 (Unaudited)

	Attributable to equity holders of the Group							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Minority interests HK\$'000	
At 1 January 2005	33,139	491,636	31,350	(894)	(4,338)	(150,956)	23,909	423,846
Exchange differences on translation of foreign subsidiaries	-	-	-	-	(32)	-	-	(32)
Loss for the period	-	-	-	-	-	(4,199)	(600)	(4,799)
At 30 June 2005	<u>33,139</u>	<u>491,636</u>	<u>31,350</u>	<u>(894)</u>	<u>(4,370)</u>	<u>(155,155)</u>	<u>23,309</u>	<u>419,015</u>
At 1 January 2006	33,139	491,636	31,350	(894)	(4,668)	(155,648)	22,951	417,866
Exchange differences on translation of foreign subsidiaries	-	-	-	-	(100)	-	-	(100)
Profit for the period	-	-	-	-	-	2,982	(466)	2,516
At 30 June 2006	<u>33,139</u>	<u>491,636</u>	<u>31,350</u>	<u>(894)</u>	<u>(4,768)</u>	<u>(152,666)</u>	<u>22,485</u>	<u>420,282</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2006

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Net cash inflow from operating activities	32,387	300
Net cash inflow/(outflow) from investing activities	(10,042)	40,696
Net cash outflow from financing activities	(9,943)	(35,229)
Increase in cash and cash equivalents	12,402	5,767
Cash and cash equivalents at the beginning of the period	6,664	(2,543)
Cash and cash equivalents at the end of the period	19,066	3,224
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	19,066	4,031
Bank overdraft	–	(807)
	19,066	3,224



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2006

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 10 April 1995 under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Flat A, 23/F, Empire Land Commercial Centre, 83 Lockhart Road, Wanchai, Hong Kong.

The principal activities of the Group are investment holding, property investment, development and management.

In the opinion of the directors, the ultimate holding company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim 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 ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those adopted in financial statements for the year ended 31 December 2005 with addition for the following amendments to standards and interpretations which are relevant to the Group's operation and are mandatory for financial year ending 31 December 2006:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4	Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease

These amendments to standards and interpretations had no material effect on the Group's accounting policies.



The following new standards, amendments to standards and interpretations are relevant to the operation but are not effective for 2006 and have not been early adopted:

HKFRS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives

The Group believes that the adoption of the above new standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies except that there will be additional disclosures required by HKFRS 1 (Amendment) and HKFRS 7.

3. SEGMENT INFORMATION

(a) Business Segments

The Group is principally engaged in property investment, development and management.

	Six months ended 30 June									
	Property leasing		Interest income		Property management		Property investment		Consolidated	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	486	678	502	358	3,728	3,129	111,768	-	116,484	4,165
Segment results	393	549	502	358	1,531	408	6,280	-	8,706	1,315
Other income, net									42	91
Administrative expenses									(5,249)	(4,352)
Impairment loss on amount due from an associate									-	(605)
Profit/(Loss) from operations									3,499	(3,551)
Finance costs									(517)	(1,248)
Profit/(Loss) before tax									2,982	(4,799)
Taxation									-	-
Profit/(Loss) for the period									2,982	(4,799)



(b) *Geographical Segments*

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of assets.

	Six months ended 30 June					
	Hong Kong (Unaudited)		Rest of the PRC (Unaudited)		Consolidated (Unaudited)	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	486	1,036	115,998	3,129	116,484	4,165
Profit/(Loss) from operations	393	(468)	3,106	(3,083)	3,499	(3,551)
Segment assets	47,700	131,516	403,067	322,959	450,767	454,475
Capital expenditure incurred during the period	47	54	129	132	176	186

4. **PROFIT/(LOSS) FROM OPERATIONS**

The Group's profit/(loss) from operations is arrived at after charging:

	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	987	1,010
Operating lease rentals in respect of land and buildings	110	110

5. **FINANCE COSTS**

	Six months ended 30 June	
	2006 (Unaudited)	2005 (Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdraft repayable within 5 years	517	1,248



6. TAXATION

No provision for Hong Kong profits tax has been made in the interim financial statements as the Group's operation in Hong Kong incurred a tax loss for the period (30 June 2005: Nil).

No provision for other jurisdictions has been made for the period since the Group has no estimated assessable profits.

Deferred tax assets have not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams (30 June 2005: Nil).

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the following data:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
Earnings/(Loss) for the period for the purposes of basic earnings/(loss) per share (in HK\$'000)	2,516	(4,199)
Weighted average of ordinary shares for the purpose of basic earnings/(loss) per share	<u>3,313,869,000</u>	<u>3,313,869,000</u>

There were no potential dilutive shares in existence for the six months ended 30 June 2006, accordingly, no diluted earnings/(loss) per share has been presented.

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the current period (30 June 2005: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for the six months ended 30 June 2006 are analysed as follow:

	<i>HK\$'000</i>
At 1 January 2006 (Audited)	165,225
Additions	749
Depreciation charged for the period	(987)
At 30 June 2006 (Unaudited)	<u>164,987</u>



10. INTEREST IN JOINT VENTURE

In 2001, the Group entered into an agreement with an independent third party to jointly develop a property project in the PRC. Pursuant to the agreement, the Group contributes a piece of land and takes up the costs of preliminary stage of the property construction and the joint venture party takes up all remaining costs of property construction. Profits from the sales of the property will be shared between the Group and the joint venture party on a 30:70 basis.

On 22 March 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of the interest in joint venture at a consideration of approximately HK\$46,768,000.

11. ACCOUNTS RECEIVABLE

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Accounts receivable	1,973	2,007
Less: Impairment loss on accounts receivable	<u>(1,861)</u>	<u>(1,861)</u>
	<u>112</u>	<u>146</u>

Included in accounts receivable are debts which are normally due within 30 days from the date of billing. The aging analysis included as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 – 30 days	<u>112</u>	<u>146</u>

12. ACCOUNTS PAYABLE

The aging analysis of accounts payable is set out as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Due within 1 month or on demand	<u>139</u>	<u>139</u>



13. PLEDGE OF ASSETS

At 30 June 2006, investment properties of the Group with an aggregate carrying value totalling HK\$47,700,000 (31 December 2005: HK\$47,700,000), together with the right to receive rentals thereon were pledged to banks to secure banking facilities.

14. SHARE CAPITAL

	30 June 2006 (Unaudited)		31 December 2005 (Audited)	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares at HK\$0.01 each	<u>5,000,000</u>	<u>50,000</u>	<u>5,000,000</u>	<u>50,000</u>
Issued and fully paid:				
Ordinary shares at HK\$0.01 each	<u>3,313,869</u>	<u>33,139</u>	<u>3,313,869</u>	<u>33,139</u>

15. OPERATING LEASE COMMITMENTS

As at 30 June 2006, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within one year	<u>110</u>	—
In the second to fifth year inclusive	<u>—</u>	—
	<u>110</u>	—

16. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 27 September 2006.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

For the six months ended 30 June 2006, the Group recorded a turnover of approximately HK\$116,484,000 (30 June 2005: HK\$4,165,000), representing an increase of 27 times as compared with the last corresponding period of 2005. The increase is mainly due to the Group commenced its property management operation in the People's Republic of China (the "PRC") and posted sales of PRC property projects during the period. The turnover derived from both property management operation and property development operation amounted to approximately HK\$3,728,000 (30 June 2005: HK\$3,129,000) and HK\$111,768,000 (30 June 2005: Nil) respectively. In addition, interest income derived from funds placing with banks and funds lending also increased by approximately 40% as compared with the last corresponding period of 2005. Apart from this, the Group recorded a decrease in rental income. The decrease in rental income is mainly due to the disposal of an investment property in Hong Kong by the Group which results in a reduction of approximately 28% in rental income as compared with the last corresponding period of 2005. Net profit from ordinary activities attributable to equity holders of the Company was approximately HK\$2,516,000 for the period under review (30 June 2005: Net loss of HK\$4,199,000).

BUSINESS REVIEW

The principal activities of the Group are property investment, development and management. An analysis of the business operation is set out as follows:

Property Investment

Hong Kong

During the six months under review, all of the Group's investment properties were located in Hong Kong. During the period, the Group's rental income generated from leasing of properties was approximately HK\$486,000 (30 June 2005: HK\$678,000), representing a decrease of 28% when compared to the corresponding period of 2005. The decrease in rental income is mainly due to the disposal of an investment property by the Group in January 2005, details of which were disclosed in the Circular issued by the Company on 20 April 2006.



Shanghai, the PRC

As at 30 June 2005, the Group has an investment deposit of HK\$58,720,000 in a commercial building construction project in Shanghai, the PRC. Under the terms of the investment agreement, upon completion of the project, the developer would transfer the legal titles of certain number of units of the commercial building to the Group and allow the Group to acquire other units at a discount of the market price. The commercial building construction project had been completed in late 2005 but certain numbers of units of the commercial building have been pending for transferring the legal titles to the Group. In order to avoid the complex documentation and time consuming for transferring the legal title, the Group sold the right for those units of commercial building to the independent parties in the first quarter of 2006 at approximately HK\$64 million and recorded a gain of approximately 10% as compared to the cost of investment. The sales proceed of the investment properties of approximately HK\$64 million had been fully received in the first quarter of 2006.

Xian, the PRC

As at 30 June 2005, the Group had two property development projects of high-class villa-type residential district in Xian. The first property development project was worked in a joint venture with a reputable and independent local property developer in Xian. The total investment costs of the project were approximately HK\$47 million. The profit sharing ratio between the Group and the joint venture partner was on a 30:70 basis. The property development project was completed in 2005 and sold in early 2006. The Group received approximately HK\$47 million from the sale of such construction development project.

The second project was commenced in 2002 and ranked as the second key project of Xian by the local government. As at 30 June 2006, the costs of this property development project were approximately HK\$161 million. The property development project is a high-class villa-type residential construction project in Xian and is expected to be completed in 2007.



Property Management

For the six months ended 30 June 2006, turnover generated from the property management operation was approximately HK\$3,728,000 (30 June 2005: 3,129,000). The management of the Group believes that the property management business will diversify the Group's operation and provide a new source of revenue to the Group.

Available-for-sale Financial Assets

During the year 2004, the Group made an investment of approximately HK\$32 million to a pharmaceutical manufacturing company in the PRC. The Group is confident and expecting a future return from this investee company. During the period under review, the Group has acquired investments of approximately HK\$37 million in medical formulating companies in order to strengthen the Group's position.

PROSPECTS

The Group has acquired a resort project in Minhang District of Shanghai, PRC in June 2006. Subject to the completion of the acquisition, the resort is expected to commence business in early 2007. The Board has confidence on the development of resort business in Shanghai and expect that the resort project will generate another source of income for the Group.

The Group will continue to look for investment opportunities which would maximize returns to our shareholders.



LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation with internally generated cash flow and remaining portion of the net proceeds from funds raising activities. During the period under review, the Group recorded a net cash inflow of approximately HK\$12,402,000, compared to the last corresponding period of HK\$5,767,000 net cash inflow.

The Group expressed its gearing ratio as a percentage of bank borrowing over total shareholders' equity. As at 30 June 2006, the gearing ratio was 0.04 (31 December 2005: 0.04).

The Group is of good liquidity and sufficient solvent ability, notwithstanding that the current ratio decreased from 8.2 as at the year end of 2005 to 5.4 for the six months ended 30 June 2006.

As at 30 June 2006, the debt to equity ratio was 0.08 while it was 0.1 as at the year end of 2005. The ratio was calculated by dividing the total liabilities of HK\$30,390,000 (31 December 2005: HK\$40,763,000) by the total shareholders' equity of HK\$397,798,000 (31 December 2005: HK\$394,915,000).

The Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE, FUNDING AND TREASURY POLICIES

As at 30 June 2006, shareholders' funds of the Group amounted to approximately HK\$397,798,000 (31 December 2005: HK\$394,915,000). Current assets amounted to approximately HK\$85,505,000 (31 December 2005: HK\$213,704,000), of which approximately HK\$19,066,000 (31 December 2005: HK\$6,664,000) was cash and bank balances. Current liabilities of approximately HK\$15,958,000 (31 December 2005: HK\$26,056,000) mainly comprised of tax payable and other payables.



During the six months ended 30 June 2006, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. For the six months ended 30 June 2006, the Group did not employ any financial instruments for hedging purposes and did not engage in foreign currency speculative activities.

BORROWINGS AND BANKING FACILITIES

The total bank borrowing of the Group as at 30 June 2006 was approximately HK\$15,162,000 (31 December 2005: HK\$15,442,000) which was denominated in Hong Kong dollars. The bank borrowing mainly consisted of mortgage loan granted for the purpose of facilitating the investment projects of the Group. The mortgage loan is not at fixed interest rates and is secured by the investment properties of the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2006, the Group had no material contingent liabilities (31 December 2005: Nil) and capital commitments (31 December 2005: Nil).

PLEDGE AND CHARGES OF GROUP ASSETS

As at 30 June 2006, properties with net book value of approximately HK\$47,700,000 (31 December 2005: HK\$47,700,000) had been pledged to secure the mortgage loan of the Group.

MATERIAL ACQUISITIONS/DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 26 June 2006, Sun Man Tai International Architectural Decoration Design Co., Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest of Shanghai Minhang Weixing Horticultural Land (the "Acquisition") at a consideration of RMB85,984,000 (equivalent to approximately HK\$83,480,000). The consideration of the Acquisition was financed by the internal resources of the Group. The Acquisition is not yet completed as at the date of this report.



Save as disclosed herein before, the Group had no material acquisitions/disposal of subsidiaries and associated companies during the six months period under review.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2006, the Group employed 55 (30 June 2005: 56) full time employees in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed by reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits which include year end double pay, mandatory provident fund and medical insurance. Total staff costs for the six months ended 30 June 2006 were approximately HK\$1,761,000 (30 June 2005: HK\$1,745,000).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, the interests of the directors in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 Issuers (the "Model Code"), were as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Qian Yong Wei (Note 1)	Held by spouse/held by controlled corporation	1,148,368,235	34.65%
Xu Zhe Cheng (Notes 2 & 3)	Held by spouse/held by controlled corporation	1,148,368,235	34.65%
Chiu Yeung (Note 4)	Held by controlled corporation	500,000	0.02%



Notes:

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the controlling shareholder of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 1,148,368,235 shares in the Company.
2. Ms. Xu Zhe Cheng ("Ms. Xu"), Mr. Qian's wife, held 5,000 shares (5%) in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 1,148,368,235 shares in the Company.
3. Ms. Xu resigned as executive director on 28 February 2006.
4. Mr. Chiu Yeung was beneficially interested in all the shares of Sunnergy Finance & Investment Limited ("Sunnergy"). Sunnergy held 500,000 shares in the Company.
5. All interests stated above represent long position.

Other than as disclosed above and save for nominee shares in certain subsidiaries held in trust for the Group, as at 30 June 2006, none of the directors and their associates had any interests or short positions in any 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 by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, any of its holding companies or its subsidiaries, a party to any arrangements to enable the directors of the Company or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The share option scheme adopted by the Company was expired on 23 December 2000. Since then, no new share option scheme has been adopted by the Company.



DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2006, the register required to be kept under Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain directors, the following shareholders and their associates had notified the Company of relevant interests in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China Wan Tai (Note 1)	Held by controlled corporation	1,148,368,235	34.65%
Universal Union	Beneficial Owner	1,148,368,235	34.65%
Zhao Qing	Beneficial Owner	173,760,000	5.24%

Notes:

1. These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.
2. All interests stated above represent long position.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2006.



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

The Board has reviewed the Company's corporate governance practices. The Company has complied with the code provisions (the "Code Provision(s)") set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2006 except the following:

- (a) Under the 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. During the period ended 30 June 2006, the Company did not have any chief executive officer. The executive directors collectively oversaw the strategic development of the Group, monitored and controlled the financial performance and day-to-day operations of the Group.
- (b) Under the Code Provision B.1.1, the Company should establish a remuneration committee. The Company has established a remuneration committee on 18 May 2006 with specific written terms of reference which deal clearly with its authorities and duties.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code for the six months period under review.



AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee had reviewed the Group's interim results for the six months ended 30 June 2006.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our gratitude to customers and shareholders for their continuous support and our staff for their invaluable dedication and contribution in the past period.

On behalf of the Board

Chiu Yeung
Executive Director

Hong Kong, 27 September 2006