

Interim Report | 2006/2007



Wonderful World Holdings Limited

榮德豐控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 00109

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Wonderful World Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2006 (the "Period") together with the comparative figures. The consolidated interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 31st December,	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	2	12,677	8,550
Cost of sales		(11,990)	(17,430)
Gross profit/(loss)		687	(8,880)
Other income		136	45
Distribution costs		(157)	–
Administrative expenses		(4,374)	(3,933)
Net increase in fair value of investments held-for-trading/net unrealized holding gain/(loss) on other investments		24	6,283
Impairment loss on available-for-sale investments/investment securities		–	(798)
Loss on disposal of available-for-sale investments		–	(1)
Reversal of allowance for short-term loans receivable		685	–
Allowance for trade and other receivables		–	(942)
Reversal of long outstanding payables and accruals	3	3,178	–
Profit/ (loss) from operations	4	179	(8,226)
Finance costs		–	–
Profit/(loss) for the Period, attributable to equity holders of the Company		179	(8,226)
Earnings/(loss) per share – Basic	6	HK\$0.0004	(HK\$0.0194)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the six months ended 31st December, 2006 (unaudited)**

	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July, 2006	4,248	388,088	847	39,387	(5)	(426,258)	6,307
Profit for the period	-	-	-	-	-	179	179
At 31st December, 2006	4,248	388,088	847	39,387	(5)	(426,437)	6,486

For the six months ended 31st December, 2005 (unaudited)

	Issued capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July, 2005	4,248	388,088	847	39,387	(5)	(412,460)	20,105
Loss for the period	-	-	-	-	-	(8,226)	(8,226)
At 31st December, 2005	4,248	388,088	847	39,387	(5)	(420,686)	11,879

CONDENSED CONSOLIDATED BALANCE SHEET

		At 31st December, 2006 (Unaudited) <i>HK\$'000</i>	At 30th June, 2006 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	7	326	207
Available-for-sale investments	8	880	880
		1,206	1,087
CURRENT ASSETS			
Inventories	9	772	28
Trade and other receivables	10	773	5,690
Short-term loans receivable	11	1,685	1,000
Investments held-for-trading	12	2,598	4,030
Bank balances and cash		7,782	5,749
		13,610	16,497
CURRENT LIABILITIES			
Trade and other payables	13	2,204	5,151
Provision for legal claims		5,996	5,996
Taxation payable		130	130
		8,330	11,277
NET CURRENT ASSETS		5,280	5,220
TOTAL ASSETS LESS CURRENT LIABILITIES		6,486	6,307
CAPITAL AND RESERVES			
Share capital	14	4,248	4,248
Reserves		2,238	2,059
		6,486	6,307

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	31st December,	
	2006	2005
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	2,190	1,786
Net cash (used in)/from investing activities	(157)	1,021
Net cash from/(used in) financing activities	-	-
Net increase in cash and cash equivalents	2,033	2,807
Cash and cash equivalents at beginning of the period	5,749	12,439
Cash and cash equivalents at end of the period, represented by bank balances and cash	7,782	15,246

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The preparation of the Interim Financial Report in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Report has been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, investments held-for-trading and certain financial instruments, which are carried at fair values, and in accordance with accounting principles generally accepted in Hong Kong, and accounting standards issued by the HKICPA.

This Interim Financial Report should be read in conjunction with the annual financial statements for the year ended 30th June, 2006. The accounting policies adopted are consistent with those adopted by the Group in its annual financial statements for the year ended 30th June, 2006.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (“INT”) (hereinafter collectively referred to as “new HKFRSs”) which are available for early adoption and are not yet effective.

The Group has not early adopted the following new HKFRSs which have been issued but not yet effective:-

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation 10	Interim Financial Reporting and Impairment

The Directors of the Company anticipate that the application of these new HKFRSs will have no material impacts on the financial statements of the Group.

2. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group is currently organized into two operating divisions, namely, investment and financial services (mainly sales of securities) and distribution and trading (mainly sales of goods).

Segment information about these businesses is presented below:

By business segments

INCOME STATEMENT

For the six months ended 31st December, 2006 (unaudited)

	Investment and financial services <i>HK\$'000</i>	Distribution and trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	10,798	1,879	12,677
RESULTS			
Segment results	(1,418)	(890)	(2,308)
Unallocated corporate expenses			(691)
Unallocated sundry income (reversal of long outstanding payables and accruals)			3,178
Profit for the Period			179

2. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

By business segments (continued)

INCOME STATEMENT

For the six months ended 31st December, 2005 (unaudited)

	Investment and financial services HK\$'000	Distribution and trading HK\$'000	Consolidated HK\$'000
TURNOVER			
External sales	8,550	–	8,550
RESULTS			
Segment results	(4,293)	(109)	(4,402)
Unallocated corporate expenses			(3,824)
Loss for the period			(8,226)

By geographical segment

During the six months ended 31st December, 2006 and 31st December, 2005, all of the Group's operations were principally located in Hong Kong. No geographical segmental analysis is presented as all of the Group's turnover and assets were mainly attributable to Hong Kong.

3. REVERSAL OF LONG OUTSTANDING PAYABLES AND ACCRUALS

The amount of HK\$3.18 million (2005: nil) for six month ended 31st December, 2006 represents reversal of long outstanding payable and accruals brought forward from several years ago.

4. PROFIT/(LOSS) FROM OPERATIONS

	For the six months ended 31st December,	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Profit/(loss) for the Period has been arrived at after charging (crediting):		
Directors' emoluments	60	60
Other staff costs	2,119	1,709
Retirement benefits scheme contributions, excluding directors	64	44
Total staff costs	2,243	1,813
Auditors' remuneration		
– current year	286	260
Realised gains and losses on investments held-for-trading:		
– Proceeds on trading (included in turnover)	(10,798)	(8,264)
– Cost of trading (included in cost of sales)	10,720	17,430
	(78)	9,166
Depreciation of property, plant and equipment		
– owned assets	53	120
– assets held under finance leases	–	1
Dividends from equity securities	(15)	(2)
Interest income	(120)	(184)

5. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profit for both periods.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the Period of approximately HK\$179,000 (2005: loss of HK\$8,226,000) and on 424,800,000 (2005: 424,800,000) ordinary shares in issue during the Period.

Diluted earnings/loss per share for the periods ended 31st December, 2006 and 31st December, 2005 have not been calculated as no potential ordinary shares were outstanding during both periods.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent HK\$172,000 (2005: HK\$45,000) on additions to property, plant and equipment.

8. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31st December, 2006 (unaudited) and 30th June, 2006 (audited) comprise:

	Accumulated		Net HK\$'000
	Cost HK\$'000	Impairment HK\$'000	
Investments in equity securities listed in Hong Kong (<i>note (i)</i>)	9,569	(8,689)	880
Investments in unlisted equity securities in Hong Kong (<i>note (ii)</i>)	129,453	(129,453)	–
	139,022	(138,142)	880

Notes:

- (i) Investments in listed equity securities are stated at fair value. As the shares of the listed investee had been suspended for trading since 29th December, 2004, the fair value is determined by reference to the consideration of such securities in a recent sales transaction.
- (ii) Investments in unlisted equity securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The directors consider these investments contribute no significant value to the Group and accordingly, the investment costs in these unlisted equity securities should be fully impaired.

9. INVENTORIES

	At 31st December, 2006 (Unaudited) HK\$'000	At 30th June, 2006 (Audited) HK\$'000
Merchandise for sale, at cost	772	28

10. TRADE AND OTHER RECEIVABLES

	At 31st December, 2006 (Unaudited) HK\$'000	At 30th June, 2006 (Audited) HK\$'000
Trade receivables, net of accumulated impairment	357	156
Other receivables, net of accumulated impairment	416	5,534
	773	5,690

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of impairment losses at the balance sheet date:

	At 31st December, 2006 (Unaudited) HK\$'000	At 30th June, 2006 (Audited) HK\$'000
Trade receivables:		
Within 30 days	176	–
Within 31-60 days	72	148
Within 61-90 days	25	8
Over 90 days	84	–
	357	156

The fair values of the Group's trade and other receivables approximate their corresponding carrying amounts.

11. SHORT-TERM LOANS RECEIVABLE

	At 31st December, 2006 (Unaudited) HK\$'000	At 30th June, 2006 (Audited) HK\$'000
Fixed-rate loans receivable		
– Principals overdue	54,983	54,983
– Accrued interest receivable	–	–
	54,983	54,983
Less: accumulated impairment	(53,298)	(53,983)
	1,685	1,000

The loans were denominated in Hong Kong dollars and were made in general for a period from one to three months, but may be extended on mutual agreement. These loans carry interest at 24% per annum (30th June 2006: ranging from 24% to 36% per annum).

The fair values of the Group's loans receivables approximate their carrying amounts.

12. INVESTMENTS HELD-FOR-TRADING

Investments held-for-trading represent investments in equity securities listed in Hong Kong. The fair values of these securities are determined based on the quoted market bid prices available on the Stock Exchange.

13. TRADE AND OTHER PAYABLES

Included within trade and other payable were trade payables of approximately HK\$817,000 (30th June, 2006: HK\$144,000) and the aged analysis is as follows:

	At 31st December, 2006 (Unaudited) HK\$'000	At 30th June, 2006 (Audited) HK\$'000
Trade payables:		
Within 30 days	156	144
Within 31-60 days	180	-
Within 61-90 days	39	-
Over 90 days	442	-
	817	144

The fair values of the Group's trade and other payables approximate their corresponding carrying amounts.

14. SHARE CAPITAL

	At 31st December, 2006 (Unaudited) HK\$'000	At 30th June, 2006 (Audited) HK\$'000
Authorized:		
20,000,000,000 (30th June, 2006: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
Issued and fully paid:		
424,800,000 (30th June, 2006: 424,800,000) ordinary shares of HK\$0.01 each	4,248	4,248

15. CONTINGENT LIABILITIES

On 10th November, 2000, the Company was named as a defendant in a legal action in which a claim was made against the Company for failure to pay, as the guarantor, an amount of approximately HK\$5,996,000 and interest thereon. In January 2003, the Company's lawyers had sought discovery of the original copies of the relevant documents from the plaintiff and yet the plaintiff had failed to respond or furnish any of the requested documents. The plaintiff had since then not taken any further steps to activate the proceedings which had then become dormant for over a year. In July 2004, the Company was informed by the plaintiff of its decision of re-activating the proceedings. The directors, after seeking legal advice, had decided to make a provision of HK\$5,996,000 for potential liability during the year ended 30th June, 2004. In the view of the directors, there was no basis for providing for any interest which might become payable on the outcome of the litigation. The Company applied for an order to strike out the proceedings during the year ended 30th June, 2005, but the application for striking out was subsequently dismissed. The Company's solicitors are preparing the necessary documents in preparation for trial in court.

16. COMMITMENTS

Commitments under operating leases

As at 31st December, 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	At 31st December, 2006 (Unaudited) HK\$'000	At 30th June, 2006 (Audited) HK\$'000
Within one year	724	572
In second to fifth year inclusive	–	477
	724	1,049

There were no material capital commitments for property, plant and equipment as at 31st December, 2006.

17. APPROVAL OF THE INTERIM REPORT

These interim financial statements were approved and authorized for issue by the Board on 20th March, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months period ended 31st December, 2006, the turnover of the Group increased by approximately HK\$4,127,000 to approximately HK\$12,677,000 (2005: HK\$8,550,000), representing an increase of approximately 48.3% as compared to the corresponding period of last year. The Group achieved a growth of approximately 26.3% to HK\$10,798,000 (2005: HK\$8,550,000) in the turnover of investment and financial services for the period under review. In addition, business activities in distribution and trading gradually gained momentum and started generating turnover of HK\$1,879,000 (2005: nil) for the Group. As a result, a significant increase in the Group's total turnover was recorded for the six months period ended 31st December, 2006.

The Group achieved a net profit of HK\$179,000 for the period under review and turned around from a net loss of HK\$8,226,000 of the corresponding period of last year. Non-performing listed shares investments held-for-trading had been steadily reduced in the Group's investment portfolio during the past years, and as a result, losses caused by liquidating such non-performing listed shares investments significantly decreased for the period under review, and coupled with the reversal of certain long outstanding payables and accruals brought forward from several years ago, the Group managed to breakeven for the six months period ended 31st December, 2006.

Business Review

Apart from the reinforcement of businesses in financial and investment services, the Group had actively developed its distribution and trading arm as part of its strategic planning. The turnover generated from distribution and trading businesses increased steadily during the period under review and its proportion in the Group's turnover would be expected to become more and more significant, which would contribute the healthy diversification of the Group's revenue sources .

Lubricant oil additives distribution business made steady progress and efforts were channeled to build corporate accounts with mass public transportation companies, shipping companies and logistic companies operating a fleet of trucks.

To further enhance the market awareness on the supply chain management system software for knitting manufacturers developed by a spin-off company from the Chinese University of Hong Kong, from which the Group has been granted an exclusive distributorship, a seminar was held in the last quarter of 2006 and was actively participated by many established knitting manufacturers.

Shortly after the establishment of the trading business in children's playground equipment and accessories, and recycled rubber tiles in May 2006, good progress was made and turnover generated from this business has been increasing at a remarkable pace. The Group has successfully been qualified for making tenders to a number of renowned local land developers which show great interests in the advanced children playground equipment designed and manufactured by the international renowned Kompan A/S of Denmark, from which the Group has been granted exclusive distribution rights on Kompan's products for markets in Hong Kong and Macau.

Future Prospects

The Group will continue to reshuffle the investment portfolio and keep on liquidating the non-performing listed shares investment so as to further strengthen the Group's financial position, which enables the Group to grasp future emerging business opportunities.

Solicitation of corporate key accounts is still the focus of the lubricant oil additives distribution business and the Group will concentrate in cultivating these corporate key accounts and promote to them our flagship product "MT-10 Metal Treatment" together with other applicable products. To gain their confidence, the Group is planning a promotion program to supply samples to potential key corporate customers, which will assist them in realizing the beneficial effects of using the additives and other applicable products.

As the seminar on the supply chain management system software held in late 2006 has been well received, the Group will continue to conduct similar seminars and also participate in exhibitions, which will definitely enhance the product awareness and contribute to the brand building of the software. In March 2007, the Group's exclusive distributorship has been extended by the spin-off company from the Chinese University of Hong Kong to cover additionally one more renowned product that effectively controls and monitors the production planning of knitting manufacturers. The sophisticated functionalities of this advanced planning and scheduling system specially tailored made for knitting manufacturers are so far unique in the market.

The Group will maintain a close contact with major local land developers and actively participate in tenders on supply and installation of children's playground equipment. Moreover, product line will be further enhanced to suit the needs of different customers.

To further diversify the distribution and trading arm, the Group started the trading of label cutting and folding machinery in late 2006 under its own brand name. Target markets include India, Pakistan, Bangladesh and Italy, and local sub-distributors in these countries have been contracted to provide marketing support. The Group will also participate in various international textile machinery exhibitions in order to promote the machinery trading.

In late 2006, a wholly-owned subsidiary of the Group has been successfully granted by the court to become the mortgagee in possession of certain land pieces in Po Toi Island, and it is now in the process of liquidating the land pieces in order to recover the default outstanding balance from a borrower.

To further prepare the Group to grasp future emerging business opportunities, the Company in February 2007 successfully issued and allotted 84,960,000 new ordinary shares under the general mandate granted in last annual general meeting of the Company to an independent investor. The net proceeds of approximately HK\$11,600,000 have been received by the Company.

Liquidity and Financial Resources

The Group maintains its adequate financial position with cash and cash equivalents of approximately HK\$7.78 million (30th June, 2006: HK\$5.75 million). The Group is basically debt-free and at a net cash position.

As at 31st December, 2006, the Group had a net current assets of approximately HK\$13.61 million (30th June, 2006: HK\$16.50 million). The shareholders' equity was approximately HK\$6.49 million (30th June, 2006: HK\$6.31 million) and there is no outstanding bank loan and other borrowings.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31st December, 2006 (2005: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's monetary assets and liabilities were primarily denominated in Hong Kong dollars and thus the Group would not have significant exposures to material fluctuations in exchange rates. As at 31st December, 2006, the Group had no material exposures under foreign exchange contracts, interest, currency swaps or other financial derivatives.

DISCLOSURE OF INTERESTS

(i) Directors

At 31st December, 2006, the interests or short positions of each director and the chief executive in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) to be notified to the Company and the Stock Exchange were as follows:

Ordinary shares of the Company

Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Ms. Ada Lam (“Ms. Lam”) <i>(Note)</i>	Held by controlled corporation	243,998,759	57.44%
Mr. Yeung Wood Sang	Beneficial owner	13,070,889	3.08%

Note: The shares are held by Winning Concept Investments Limited (“Winning Concept”), the share capital of which is beneficially owned as to 99% by Ms. Lam.

Save as disclosed above, none of the directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code adopted by the Company to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholder

At 31st December, 2006, so far as is known to the Directors, shareholders who had an interest or short position in the shares and underlying shares of the Company which have been disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Winning Concept (Note)	Beneficial owner	Corporate	243,998,759	57.44%

Note: Winning Concept is beneficially owned as to 99% by Ms. Lam.

Save as disclosed herein, no other person was directly or indirectly beneficially interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at 31st December, 2006.

None of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiaries.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st December, 2006, the Group employed approximately 16 employees. The Remuneration Committee and the Directors of the Group reviewed remuneration policies regularly. The structure of the remuneration packages would take into account the level and composition of pay and the general market conditions in the respective countries and businesses.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Shares Option Scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has a share option scheme to enable the directors of the Company to grant options to eligible employees, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company.

No share options were granted during the Period and there are no share options outstanding as at 31st December, 2006.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st December, 2006.

AUDIT COMMITTEE

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Stock Exchange. The Audit Committee comprises the three independent non-executive Directors of the Company. The primary duties of the Audit Committee are to review the Company's annual and interim results and to review and supervise the Company's financial reporting and internal control procedures.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters, including review of the unaudited interim financial statements of the Group for the Period.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the six months ended 31st December, 2006 with the Code on Corporate Governance Practices (the "Code") as set out by the Stock Exchange in Appendix 14 to the Listing Rules, except for the following deviation:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive Directors of the Company are not appointed for a specific term. However, they are subject to retirement by rotation in the annual general meeting according to the provisions of the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") to Listing Rules during the period under review. The Company has made specific enquiry with all directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the period ended 31st December, 2006.

SUBSEQUENT EVENT

Subsequent to the period end date of 31st December, 2006, the Company issued and allotted to an independent investor a total of 84,960,000 new ordinary shares at a price of HK\$0.14 each in February 2007 under the general mandate granted by the shareholders in the last 2006 Annual General Meeting. The net proceeds are estimated to be approximately HK\$11,600,000, which are intended to be used up to HK\$5,000,000 for further development of the Group's trading and distribution businesses in lubricate oil additives and children's playground equipment, recycled rubber tiles and related accessories, and the remaining amount for general working capital of the Group. The net proceeds were received by the Company on 7th February, 2007.

OTHER INFORMATION

The Company made a press announcement dated 31st October, 2005 in relation to, inter alia, continuing connected transactions involving the leasing of office premises from an associate of a connected person of the Company. For the six months ended 31st December, 2006, the total rentals (inclusive of building management fee and services fees but excluding government rates and government rent) amounting to approximately HK\$499,150 (Form 5th November 2005 to 31st December 2005 : HK\$88,900) were paid to the said associate of a connected person of the Company.

APPRECIATION

On behalf of the Board, I would like to thank all of our customers, shareholders, suppliers and employees for their continued support.

On behalf of the Board
Wong Wing Cheong
Chairman

Hong Kong, 20th March, 2007