

# Wah Nam International Holdings Limited

(Incorporated in Bermuda with limited liability)  
Stock Code: 0159

## Interim Report 2007



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Cheng Yung Pun (*Chairman*)  
Yu Sui Chuen  
Cheng Wing See, Nathalie

#### Non-executive Director

Luo ZhiJian

#### Independent Non-executive Directors

Au-Yeung Tsan Pong, Davie  
Fung Ka Choi  
Wong Chu Fung

### AUDIT COMMITTEE & REMUNERATION COMMITTEE

Au-Yeung Tsan Pong, Davie (*Chairman*)  
Fung Ka Choi  
Wong Chu Fung

### QUALIFIED ACCOUNTANT

Wong Man Yee

### COMPANY SECRETARY

Lai Mei Fong

### AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
35th Floor  
One Pacific Place  
88 Queensway  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

### BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Secretaries Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL PLACE OF BUSINESS

Room 902, 9th Floor  
East Ocean Centre  
98 Granville Road  
Tsimshatsui East  
Kowloon, Hong Kong

### PRINCIPAL BANKER

Bank of China (Hong Kong) Limited

### WEBSITE

[www.irasia.com/listco/hk/wahnam](http://www.irasia.com/listco/hk/wahnam)

### STOCK CODE

0159 (Main Board of The Stock Exchange of  
Hong Kong Limited)

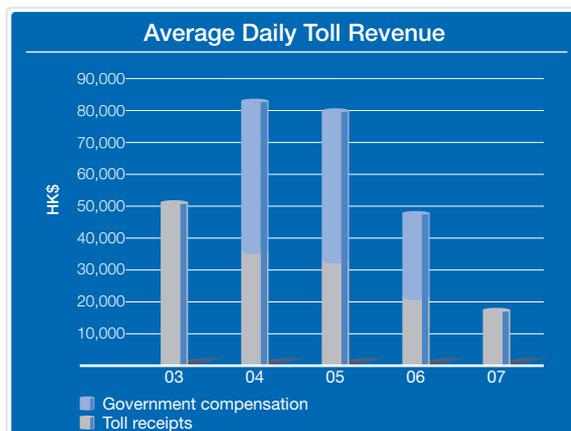
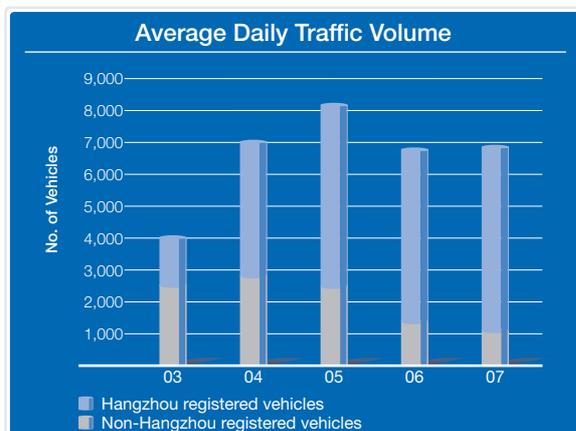
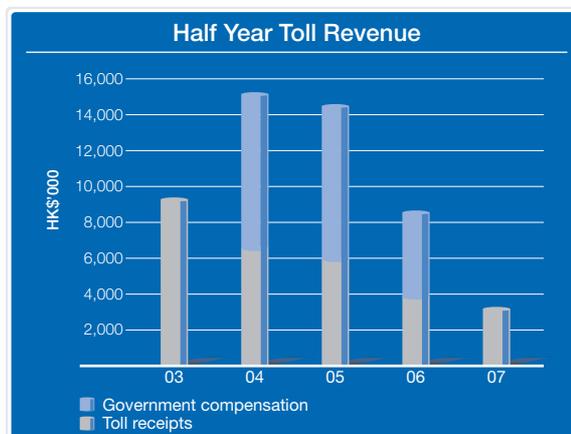
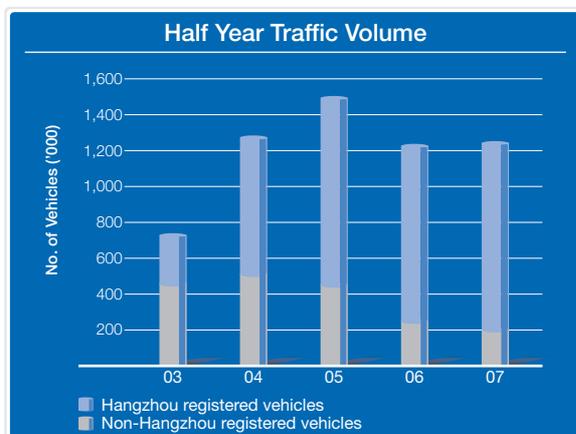
## OPERATIONAL HIGHLIGHTS

### Financial Highlights

	For the six months ended 30th June,		Changes %
	2007 HK\$'000	2006 HK\$'000	
Gross Toll Revenue	3,182	8,671	(63)
(Loss) Profit before Taxation	(1,600)	3,300	(148)
(Loss) Profit Attributable to Equity Holders of the Company	(1,392)	776	(279)
Basic (Loss) Earnings per Share (cents)	(0.23)	0.13	(277)
Diluted (Loss) Earnings per Share (cents)	N/A	N/A	N/A

	% of Ownership	Length in Kilometers	No. of Lanes	No. of Toll Stations	Remaining Year of Operation
Hangzhou Toll Road	60%	11.934km	Class 1 dual 2 lanes	1	17
Shanxi-Xiangyi Toll Road and Bridge	45%	44km	Class 2 dual 1 lane	3	10
Shanxi-Linhong Toll Road and Bridge	45%	44km	Class 2 dual 1 lane	2	10

## HANGZHOU TOLL ROAD



## UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Wah Nam International Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2007, together with the comparative figures for the corresponding period in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	NOTES	For the six months ended	
		2007	2006
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Gross toll revenue	3	3,182	8,671
Business tax		(159)	(434)
Net toll revenue		3,023	8,237
Direct costs		(3,664)	(3,834)
		(641)	4,403
Other income		270	478
Administrative expenses		(1,189)	(1,265)
Finance costs	5	(40)	(316)
(Loss) profit before taxation	6	(1,600)	3,300
Income tax expense	7	(112)	(881)
(Loss) profit for the period		(1,712)	2,419
Attributable to:			
Equity holders of the Company		(1,392)	776
Minority interests		(320)	1,643
		(1,712)	2,419
(Loss) earnings per share	8		
— Basic (cents)		(0.23)	0.13
— Diluted (cents)		N/A	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	NOTES	30th June, 2007 HK\$'000 (Unaudited)	31st December, 2006 HK\$'000 (Audited)
<b>Non-current assets</b>			
Toll road operation rights		79,055	81,414
Property, plant and equipment		395	459
Amounts due from minority shareholders of a subsidiary	9	49,009	48,872
Deferred tax asset		3,935	4,048
		<b>132,394</b>	134,793
<b>Current assets</b>			
Other receivables, deposits and prepayments		30,746	237
Bank balances and cash		16,490	9,678
		<b>47,236</b>	9,915
<b>Current liabilities</b>			
Other payables and accrued charges		2,025	1,746
Tax liabilities		—	215
		<b>2,025</b>	1,961
<b>Net current assets</b>		<b>45,211</b>	7,954
<b>Total assets less current liabilities</b>		<b>177,605</b>	142,747
<b>Capital and reserves</b>			
Share capital	10	71,374	59,484
Reserves		27,715	691
<b>Equity attributable to equity holders of the Company</b>		<b>99,089</b>	60,175
<b>Minority interests</b>		<b>78,516</b>	81,236
		<b>177,605</b>	141,411
<b>Non-current liabilities</b>			
Amount due to a director		—	1,336
		<b>177,605</b>	142,747

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Shareholders' contribution reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority Interests HK\$'000	
At 1st January, 2007	59,484	—	2,450	163	8,669	(10,591)	60,175	81,236	141,411
Issue of new shares	11,890	28,485	—	—	—	—	40,375	—	40,375
Dividend declared and paid by a subsidiary	—	—	—	—	—	—	—	(2,400)	(2,400)
Deemed distribution to shareholders	—	—	—	(163)	—	94	(69)	—	(69)
Loss for the period, representing total recognised loss for the period	—	—	—	—	—	(1,392)	(1,392)	(320)	(1,712)
At 30th June, 2007	71,374	28,485	2,450	—	8,669	(11,889)	99,089	78,516	177,605
At 1st January, 2006	59,484	—	2,215	744	2,766	(11,894)	53,315	89,299	142,614
Profit for the period, representing total recognised income for the period	—	—	—	—	—	776	776	1,643	2,419
Appropriations	—	—	171	—	—	(171)	—	—	—
At 30th June, 2006	59,484	—	2,386	744	2,766	(11,289)	54,091	90,942	145,033

The statutory surplus reserve represents enterprise development and general reserve funds appropriated from the profit after tax of a subsidiary established in the People's Republic of China (the "PRC") in accordance with the PRC laws and regulations.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	For the six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	494	6,409
Net cash (used in) generated from investing activities	(30,214)	109
Net cash generated from financing activities	36,532	801
Net increase in cash and cash equivalents	6,812	7,319
Cash and cash equivalents at beginning of the period	9,678	17,865
Cash and cash equivalents at end of the period	16,490	25,184

## NOTES

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with 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”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values upon initial recognition.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006.

In the current period, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on 1st January, 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) — INT 11	HKFRS 2 — Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) — INT 12	Service concession arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008.

### 3. GROSS TOLL REVENUE

The gross toll revenue represents the amounts of toll receipts generated from the toll road and compensation received from Hangzhou City government for the loss of toll receipts from automobiles registered in Hangzhou City.

	For the six months ended 30th June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Toll receipts	3,182	3,863
Hangzhou City government compensation	—	4,808
	<b>3,182</b>	<b>8,671</b>

### 4. SEGMENTAL INFORMATION

The Group is engaged solely in the management and operation of a toll road in the PRC. The identifiable assets and liabilities of the Group are mainly located in the PRC. Accordingly, no analysis by business or geographical segments is presented.

### 5. FINANCE COSTS

Finance costs represent:

	For the six months ended 30th June,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Imputed interest on amount due to ultimate holding company	—	193
Imputed interest on amount due to a director	40	123
	<b>40</b>	<b>316</b>

**6. (LOSS) PROFIT BEFORE TAXATION**

	For the six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of toll road operation rights (included in direct costs)	2,359	2,268
Depreciation of property, plant and equipment	65	85
Repairs and renovation costs	122	367
Interest income	(88)	(111)
Imputed interest income on amounts due from minority shareholders of a subsidiary	(137)	(367)

**7. INCOME TAX EXPENSE**

	For the six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current period:		
Income tax charge	—	652
Underprovision in prior years	—	121
	—	773
Deferred tax:		
Current period charge to consolidated income statement	112	108
	112	881

Income tax charge represents the PRC enterprise income tax paid or payable during the period. Enterprise income tax in the PRC has been provided at the prevailing rate of 18% (2006: 18%) on the estimated assessable profit applicable to the Company's subsidiary established in the PRC.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to equity holders of the Company is based on the following data:

	For the six months ended	
	30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) earnings for the purpose of basic (loss) earnings per share	(1,392)	776
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	606,239	594,838

The Company has no dilutive potential ordinary shares for both periods under review.

## 9. AMOUNTS DUE FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

On application of HKAS 39, the fair value of the amounts due from minority shareholders of a subsidiary is determined based on an effective interest rate of 9.64% on initial recognition.

## 10. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
<b>At 1st January, 2006, 31st December, 2006 and 30th June, 2007</b>	<b>800,000</b>	<b>80,000</b>
Issued and fully paid:		
At 1st January, 2006 and 31st December, 2006	594,838	59,484
Issue of top-up subscription shares	118,900	11,890
<b>At 30th June, 2007</b>	<b>713,738</b>	<b>71,374</b>

## 11. RELATED PARTY TRANSACTIONS

For the period ended 30th June, 2007, rental expenses have been borne by a related company in which Mr. Cheng Yung Pun is the substantial shareholder.

## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2007 (2006: nil).

## MANAGEMENT DISCUSSION & ANALYSIS

### BUSINESS REVIEW

During the first half-year of 2007, the Group reported an unaudited consolidated toll revenue of HK\$3,182,000 (2006: HK\$8,671,000) and a loss attributable to equity holders of the Company of HK\$1,392,000 (2006: profit of HK\$776,000). The decline in both toll revenue and profit was primarily attributable to the non-receipt of the government compensation from the Hangzhou City government since the year 2007. In addition, the newly launch of the divergent road of Hang Qian Toll Road (「杭千公路」) imposed negative impact on the toll revenue of our Hangzhou Toll Road.

As stated in the annual report 2006, the Group has submitted a civil petition to the PRC court against the Hangzhou City government for judgement on the government compensation as the Group and the Hangzhou City government has not finalized the renewal agreement for compensation since the year 2006. In the meantime, the court has requested both parties to provide further information on toll traffic volume for its judgement. Therefore, no government compensation from the Hangzhou City government was received during the period under review.

During the period under review, an upgraded computerized toll collection monitoring system of our Hangzhou Toll Road was installed for enhancing the security of toll fee collection procedures and accuracy of traffic volume and toll collection figures to support the negotiation of government compensation with the Hangzhou City government.

On 13th June, 2007, the Company and Parklane International Holdings Limited (the "Vendor") entered into a sale and purchase agreement (the "S&P Agreement") pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire issued share capital of Perryville Group Limited subject to the terms and conditions of the S&P Agreement (the "Acquisition"). The Acquisition would allow the Group to diversify its income and business risks by investing in the section of the transportation services market as Perryville Group Limited and its subsidiaries (the "Perryville Group") are principally engaged in the provision of limousine and airport shuttle transportation services in Hong Kong.

The total consideration for the Acquisition is HK\$170,000,000 in which HK\$50,000,000 would be settled by means of cash and the remaining consideration would be settled by the issue of the convertible notes in amount of HK\$120,000,000 by the Company to the Vendor and therefore that a proposal was put forward for the shareholders' approval under a special general meeting to be held on 18th September, 2007 to increase the authorised ordinary share capital of the Company from HK\$80,000,000 divided into 800,000,000 shares of HK\$0.10 each to HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each, by the addition of HK\$120,000,000 divided into 1,200,000,000 new shares of HK\$0.10 each which (when issued) will rank *pari passu* in all respects with all the existing shares. The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and therefore is subject to approval by shareholders at a special general meeting under the Listing Rules. The Company will despatch to the shareholders a circular containing further details of the S&P Agreement, the Group, the Perryville Group and the notice of special general meeting in due course.

Highlights of revenue comparison were:

### ***Joint Venture in Hangzhou***

#### *Hangzhou Toll Road*

Average daily toll traffic volume for the first half of the year 2007 was approximately 6,900 vehicles (2006: 6,800 vehicles), representing a 1% increase over the corresponding period in last year. Weighted average toll fare per vehicle for non-registered vehicles for the first half of the year 2007 was approximately RMB12.85 (2006: RMB12.90), no significant difference as compared with the corresponding period in last year.

### ***Joint Ventures in Shanxi***

#### *Shanxi-Xiangyi Toll Road and Bridge*

Average daily toll traffic volume for the first half of the year 2007 was approximately 2,500 vehicles (2006: 2,500 vehicles), no significant difference as compared with the corresponding period in last year. Weighted average toll fare per vehicle for the first half of the year 2007 was approximately RMB12.63 (2006: RMB13.38), representing a 6% decrease over the corresponding period in last year.

#### *Shanxi-Linhong Toll Road and Bridge*

Average daily toll traffic volume for the first half of the year 2007 was approximately 220 vehicles (2006: 12,900 vehicles), representing a 98% decrease over the corresponding period in last year. Weighted average toll fare per vehicle for the first half of the year 2007 was approximately RMB14.68 (2006: RMB5.57), representing a 164% increase over the corresponding period in last year.

According to the Restructuring Agreement in year 2002, the Group acquired these infrastructure joint ventures in Shanxi at nil consideration. The toll road and toll bridge in each of these infrastructure joint ventures have performed substantially below expectations. Against this background, it was considered that the fair value of assets of these infrastructure joint ventures is negligible and therefore that their results will not be incorporated into the Group's financial statements.

## **FINANCIAL REVIEW**

### ***Liquidity and Financial Resources***

As at 30th June, 2007, the Group's cash on hand and in bank was in the sum of HK\$16,490,000 (31st December, 2006: HK\$9,678,000). The total assets and total liabilities of the Group were HK\$179,630,000 (31st December, 2006: HK\$144,708,000) and HK\$2,025,000 (31st December, 2006: HK\$3,297,000) respectively. The equity attributable to equity holders of the Company was HK\$99,089,000 (31st December, 2006: HK\$60,175,000). The Group's current ratio was 23.3 (31st December, 2006: 5.06).

The gearing ratio (total liabilities/total assets) as at 30th June, 2007 was 1% (31st December, 2006: 2%).

The total capital expenditure during the six months ended 30th June, 2007 amounted to HK\$2,000 (2006: HK\$2,000).

For the six months ended 30th June, 2007, the Company had issued 118,900,000 top-up subscription shares of par value HK\$0.10 each to Leading Highway Limited at a price of HK\$0.35 per top-up subscription share in accordance

with the Subscription Agreement dated 15th May, 2007. The Group is optimistic about the outcome of the civil petition of Hangzhou Toll Road, and is therefore of the view that the financial position is positive. Net cash provided by operating activities amounted to approximately HK\$494,000 (2006: HK\$6,409,000).

As at 30th June, 2007, the Group had no significant contingent liabilities and has minimal exposure to foreign exchange risk since the Group's revenue and expenditures were denominated in Hong Kong dollar and in Renminbi.

## EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2007, the Group had 42 employees (31st December, 2006: 42). The pay levels of employees are commensurate with their responsibilities, performance and contribution to the Group and reflect the prevailing industry practice. To provide incentives and rewards to the employees, the Company adopted a share option scheme in August 2002.

## FUTURE PROSPECTS

The expressway, Hang Qian Toll Road (「杭千公路」), running from Hangzhou to Qian Dao Hu (「千島湖」), a popular sightseeing location is expected to continuously intensify the toll road competition in Hangzhou City.

The Perryville Group is principally engaged in the provision of limousine and airport shuttle transportation services in Hong Kong. The business of the Perryville Group is well-established in the market and profitable. The acquisition of the Perryville Group would allow the Group to diversify its income and business risks by investing in this sector of the transportation services market and would provide the Group with stable cash inflow whilst the Group would continue to carry out its existing toll road and toll bridge businesses. The management of the Company considers it also in the best interests of the Company and the shareholders as a whole to diversify the Group's business into new businesses with attractive prospects.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30th June, 2007, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

### Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Cheng Yung Pun	Controlled corporation ( <i>Note</i> )	445,500,000	62.42%

*Note:* These shares are held by Leading Highway Limited, a company incorporated in the British Virgin Islands with limited liability, and the entire issued share capital of which is wholly owned by Mr. Cheng Yung Pun.

Save as disclosed above, none of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2007.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares or Debentures”, at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, was a party to any arrangements to enable the Directors of the Company and their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

### Long positions in ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Leading Highway Limited ( <i>Note 1</i> )	Beneficial owner	445,500,000	62.42%
Parklane International Holdings Limited	Beneficial owner	285,714,285	40.03%
Leung Chi Yan ( <i>Note 2</i> )	Interest held by controlled corporations	285,714,285	40.03%

Notes:

1. Leading Highway Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Cheng Yung Pun, a director of the Company.
2. The 285,714,285 conversion shares derived from the convertible notes in amount of HK\$120,000,000 in accordance with the conditional S&P Agreement dated 13th June, 2007, are held by Parklane International Holdings Limited which is 100% held by Leung Chi Yan.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2007.

## SHARE OPTION SCHEME

The share option scheme (the “Share Option Scheme”) of the Company was adopted by the Company pursuant to the written resolution of the sole shareholder passed on 14th August, 2002. Particulars of the Share Option Scheme have been summarized in the 2006 Annual Report of the Company.

There has been no option granted since the adoption of the Share Option Scheme.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30th June, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

## COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied throughout the period with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the “CGP Code”) except for the deviations from the following provisions of the CGP Code:

1. Code provision A.2.1, the role of chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. One of the executive Directors assumes the role of CEO. The present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company’s strategy; and
2. Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term. However, none of the existing non-executive Directors of the Company (including independent non-executive) is appointed for a specific term since all non-executive Directors of the Company (including independent non-executive) are subject to retirement provision under the Company’s Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CGP Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct for securities transactions by Directors on no less exacting than the terms and required standard contained in the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the Directors, the Company had obtained confirmation from all Directors that they have complied with the required standard set out in the Model Code and the code of conduct for securities transactions by Directors adopted by the Company.

## BOARD COMMITTEE

### Audit Committee

The Audit Committee, comprising three independent non-executive Directors (“INEDs”), namely Mr. Au-Yeung Tsan Pong, Davie (Chairman), Mr. Fung Ka Choi and Mr. Wong Chu Fung, appointed by the Board and meets at least twice a year. One Audit Committee member is qualified accountant. None of the Audit Committee members are members of the former or existing auditors of the Company. The Committee had adopted terms of reference (containing the minimum prescribed duties) that are in line with the CGP Code and the Company’s own code on corporate governance practices.

## Remuneration Committee

The Remuneration Committee comprising three INEDs, namely Mr. Au-Yeung Tsan Pong, Davie (Chairman), Mr. Fung Ka Choi and Mr. Wong Chu Fung, appointed by the Board and meets at least once a year. The Committee had adopted terms of reference (containing the minimum prescribed duties) that are in line with the CGP Code and the Company's own code on corporate governance practices.

## REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30th June, 2007 have been reviewed by the Audit Committee of the Company, who is of the opinion that these interim results comply with applicable accounting standard and legal requirements and that adequate disclosures have been made.

By Order of the Board  
**Cheng Yung Pun**  
*Chairman*

Hong Kong, 10th September, 2007