



**連發國際股份有限公司**

**Ever Fortune International Holdings Limited**

Stock Code : 875

**Interim Report 2007**

The board of directors (the “Board”) of Ever Fortune International Holdings Limited (the “Company”) announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2007 together with comparative figures for the previous period as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	For the Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>TURNOVER</b>	2	<b>1,189</b>	90
Cost of sales		<b>(301)</b>	(267)
Gross profit/(loss)		<b>888</b>	(177)
Other revenue	3	<b>257</b>	11,987
Distribution costs		<b>(51)</b>	(39)
Administrative and other operating expenses		<b>(13,386)</b>	(6,219)
(Loss)/gain arising from change in fair value less estimated point-of-sale cost of biological assets		<b>(2,036)</b>	15,143
Impairment on goodwill		—	(141)
Provision for bad debts		—	(28,324)
Provision for increase in liabilities		—	(2,223)
Provision for loss on guarantee		—	(70,879)
Loss from operations	4	<b>(14,328)</b>	(80,872)
Finance costs		—	(140)
<b>LOSS BEFORE INCOME TAX</b>		<b>(14,328)</b>	(81,012)
INCOME TAX	5	<b>(16)</b>	—
<b>LOSS FOR THE PERIOD</b>		<b>(14,344)</b>	(81,012)
<b>ATTRIBUTABLE TO</b>			
Equity holders of the Company		<b>(14,344)</b>	(81,012)
Minority interests		—	—
		<b>(14,344)</b>	(81,012)
DIVIDENDS	6	—	—
<b>LOSS PER SHARE</b>			
Basic	7	<b>HK cents (0.57)</b>	HK cents (3.20)
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	1,038	161
Leasehold land and land use rights		63,446	62,642
Biological assets		30,923	31,879
Intangible assets		708	708
		<b>97,450</b>	95,390
<b>Current assets</b>			
Leasehold land and land use rights		2,670	2,565
Inventories		82	82
Biological assets		381	379
Trade and other receivables	9	6,854	11,870
Cash balance at PRC Trust Co-operative Union		—	—
Cash and bank balances		13,750	1,772
		<b>22,402</b>	16,668
<b>Current liabilities</b>			
Trade and other payables	10	(57,850)	(39,173)
Bank borrowing		(498)	(498)
Other borrowings		(86)	(86)
Provisions	11	(106,851)	(103,378)
		<b>(165,285)</b>	(143,135)
<b>Net current liabilities</b>		<b>(142,883)</b>	(126,467)
<b>Total assets less current liabilities</b>		<b>(45,433)</b>	(31,077)
<b>Capital and reserves attributable to the equity holders of the company</b>			
Issued capital		25,325	25,325
Reserves		(70,758)	(56,651)
		<b>(45,433)</b>	(31,326)
<b>Minority interests</b>		—	—
<b>Total equity</b>		<b>(45,433)</b>	(31,326)
<b>Non-current liabilities</b>			
Bank borrowing		—	249
<b>Total assets less current liabilities</b>		<b>(45,433)</b>	(31,077)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 June 2007

	<b>For the six months ended 30 June</b>	
	<b>2007 (Unaudited) HK\$'000</b>	2006 (Unaudited) HK\$'000
<b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>(5,408)</b>	(7,161)
Net cash (outflow)/inflow from investing activities	<b>(829)</b>	1
Net cash inflow from financing activities	<b>18,215</b>	7,980
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>11,978</b>	820
Cash and cash equivalents at 1 January	<b>1,772</b>	248
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>13,750</b>	1,068
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>13,750</b>	1,068

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007

### Six months ended 30 June 2007 (Unaudited)

	<b>Issued capital</b>	<b>Share premium</b>	<b>Reserve fund</b>	<b>Contributed surplus</b>	<b>Exchange fluctuation reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	25,325	163,532	3,168	126,883	5,476	(355,710)	(31,326)
Loss for the period	—	—	—	—	—	(14,344)	(14,344)
Translation difference	—	—	—	—	237	—	237
At 30 June 2007	25,325	163,532	3,168	126,883	5,713	(370,054)	(45,433)

### Six months ended 30 June 2006 (Unaudited)

	<b>Issued capital</b>	<b>Share premium</b>	<b>Reserve fund</b>	<b>Contributed surplus</b>	<b>Exchange fluctuation reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	25,325	163,532	3,168	126,883	3,144	(216,800)	105,252
Loss for the period	—	—	—	—	—	(81,012)	(81,012)
Translation difference	—	—	—	—	1,493	—	1,493
At 30 June 2006	25,325	163,532	3,168	126,883	4,637	(297,812)	25,733

## NOTES TO THE ACCOUNTS

### 1. BASIS OF PREPARATION

The condensed consolidated 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 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”).

The condensed consolidated financial statements have been prepared under the historical cost convention except for the Biological Assets, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements of the Company and its subsidiaries (“the Group”) for the year ended 31 December, 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2007. The adoption of the new/revised HKFRSs did not result in any substantial change to the Group’s accounting policies.

HKAS 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
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment

The Group has not early adopted the following standards that have been issued but not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

HKAS 23 (Revised)	Borrowing costs
HKFRS 8	Operating segments
HK (IFRIC) – Int 11	HKFRS2 – Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements

### 2. TURNOVER AND SEGMENT INFORMATION

#### (a) Business segments

For management purposes, the Group’s operations are derived from two operating business in PRC for nurturing, selling and trading of tree seedlings and seeds and also the management of an exhibition centre. These operations are the basis on which the Group reports its primary segment information.

## 2. TURNOVER AND SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

Business segments:

	For the six months ended 30 June 2007		
	Tree seedlings and seeds HK\$'000 (unaudited)	Exhibitions and events HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>REVENUE</b>			
External sales	336	853	1,189
Other revenue	140	107	247
Total revenue	476	960	1,436
<b>SEGMENT RESULTS</b>			
Unallocated income			10
Unallocated expenses			(15,472)
Finance costs			—
Loss before income tax			(14,328)
Income tax expense			(16)
Loss for the period			(14,344)
	For the six months ended 30 June 2006		
	Tree seedlings and seeds HK\$'000 (unaudited)	Exhibitions and events HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>REVENUE</b>			
External sales	90	—	90
Other revenue	29	—	29
Total revenue	119	—	119
<b>SEGMENT RESULTS</b>			
Unallocated income			11,958
Unallocated expenses			(92,682)
Finance costs			(140)
Loss before income tax			(81,012)
Income tax expense			—
Loss for the period			(81,012)

**2. TURNOVER AND SEGMENT INFORMATION** (continued)**(b) Geographical segments**

All activities of the Group are based in Mainland China (including Hong Kong) and all of the Group's turnover and loss before income tax are derived from Mainland China (including Hong Kong). Accordingly, no geographical segment information is presented.

**3. OTHER REVENUE**

	<b>2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	2006 HK\$'000 (unaudited)
Debts waived by creditors	—	9,751
Bank interest income	<b>26</b>	1
Other interest income	<b>91</b>	—
Others	<b>139</b>	2,235
	<b>256</b>	11,987

**4. LOSS FROM OPERATIONS**

	<b>2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	2006 HK\$'000 (unaudited)
Operating loss is stated after (crediting) and charging the followings:		
Cost of inventories sold	<b>151</b>	267
Staff costs, including directors' remuneration	<b>1,803</b>	1,071
Amortisation of leasehold land and land use rights	<b>1,335</b>	1,273
Depreciation	<b>72</b>	28
Loss/(gain) from changes in fair value less estimated point-of-sale costs of biological assets	<b>2,036</b>	(15,143)
Minimum lease payments under an operating lease in respect of land and buildings	<b>377</b>	200
Impairment on goodwill	—	141
Provision for bad debts	—	28,324
Provision for increase in liabilities	—	2,223
Provision for loss on guarantee	—	70,879

**5. INCOME TAX**

	<b>2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	2006 HK\$'000 (unaudited)
Hong Kong profits tax	—	—
Overseas profits tax	<b>16</b>	—
	<b>16</b>	—

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There was no significant unprovided deferred tax charge in respect of the period.



**6. DIVIDENDS**

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

**7. LOSS PER SHARE**

The calculation of the basic loss per share is based on the Group's loss for the period of HK\$14,344,000 (six months ended 30/6/2006: loss of HK\$81,012,000) and the number of ordinary shares of 2,532,543,083 (six months ended 30/6/2006: 2,532,543,083).

No diluted loss per share have been presented because the exercise of the Company's outstanding share options during the period has an anti-dilutive effect on the basic loss per share for the period.

**8. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2007, there are additions of leasehold improvement, plant and equipment to cope with the removal of office at a cost amounting to HK\$950,000 (six months ended 30 June 2006: \$Nil).

**9. TRADE AND OTHER RECEIVABLES**

Included in trade and other receivables are trade receivables with the following ageing analysis as of the balance sheet date.

	<b>30 June 2007 HK\$'000 (unaudited)</b>	31 December 2006 HK\$'000 (audited)
Within 90 days	392	—
91 days to 180 days	61	—
181 days to 365 days	—	—
Over 365 days	22,478	22,478
	<b>22,931</b>	22,478
Provision for impairment on receivables	<b>(22,478)</b>	(22,478)
	<b>453</b>	—

The group's trading terms for tree and seedlings business with its customers are mainly on credit and its credit period is generally for a period of 90 to 180 days. The group's trading terms for the management of exhibition centre with its customers are by cash sales only.

**10. TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables with the following ageing analysis as of the balance sheet date.

	<b>30 June 2007 HK\$'000 (unaudited)</b>	31 December 2006 HK\$'000 (audited)
Within 90 days	478	—
91 days to 180 days	16	—
181 days to 365 days	—	—
Over 365 days	741	747
	<b>1,235</b>	747

**11 PROVISIONS**

This represents provisions for loss on guarantees provided by a 70% subsidiary of the Company. On 15 August 2006 in respect of a guarantee provided to the China Agricultural Bank on 4 July 2005 in respect of bank loan granted to 河南省龍浩實業有限公司. The China Agricultural Bank is now demanding for repayment amounting to RMB73,005,000 (including principal of RMB63,100,000 and accrued interest of RMB9,905,000). In addition, the Company received another litigation claim amounting to RMB27,531,000 (including principal of RMB27,500,000 and execution fees of RMB31,000). The total for the two litigation and claim amounted to RMB100,536,000.

**12. COMMITMENTS****a) Capital commitments:**

	<b>30 June 2007 HK\$'000 (unaudited)</b>	31 December 2006 HK\$'000 (audited)
Contracted, but not provided for: Leasehold improvements	<b>322</b>	—
	<b>322</b>	—

**b) Operating lease arrangements***As lessee*

At the balance sheet date, the Group had future aggregate minimum lease payments under operating leases in respect of land and buildings are as follows:

	<b>30 June 2007 HK\$'000 (unaudited)</b>	31 December 2006 HK\$'000 (audited)
Within one year	<b>2,210</b>	297
In the second to fifth year inclusive	<b>4,145</b>	—
	<b>6,355</b>	297

**13. RELATED PARTY TRANSACTIONS**

(a) The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period.

<b>Related parties</b>	<b>Nature of transactions</b>	<b>Term and pricing</b>	<b>30 June 2007 HK\$'000 (unaudited)</b>	30 June 2006 HK\$'000 (unaudited)
連雲港金海旅游發展 有限公司(「金海旅游」)	Management right charge (Note i)	(iv)	<b>509</b>	—
Concord Credit Services Limited	Rental expenses (Note ii)	(iv)	<b>330</b>	—
Jiangsu Jinhai Investment Company Limited (“Jinhai Investment”)	Events income (Note iii)	(iv)	<b>387</b>	—

**13. RELATED PARTY TRANSACTIONS (continued)**

Notes:

- (i) During the period, Hao King, a subsidiary of the Company, has started a new business by the operation of an exhibition centre by hiring the right of management of it from 金海旅游 a related company of Jinhai Investment, an intermediate holding company. The fees is agreed at RMB1,000,000 for the year of 2007 payable in arrears for every 6 months by proportion.
- (ii) Mr. Ji Kewei is the common director of the related company. The related company has sub-leased an office premises to the Company as principal office in Hong Kong.
- (iii) During the period, Hao King has received an event income from Jinhai Investment in the course of normal business operation at exhibition centre.
- (iv) Agreed by the parties concerned.

## (b) Balances with related parties at the balance sheet date

	<b>30 June 2007 HK\$'000 (unaudited)</b>	31 December 2006 HK\$'000 (audited)
Accounts receivable – Due from Jinhai Investment, a related company (i)	<b>392</b>	—
Accounts payable – Due to 金海旅游, a related company (ii)	<b>515</b>	—
Due to related companies (iii)	<b>48,253</b>	29,789

Notes:

- (i) The account receivable from a related company arisen in the ordinary course of business is trading in nature, unsecured, interest-free and without any credit terms.
- (ii) The accounts payable to a related company arisen in the ordinary course of business is trading in nature, unsecured, interest-free and repayable on demand.
- (iii) The amounts due to the related companies Ever Fortune Holdings Group Limited by HK\$15,032,000, Wonderland Group (Hong Kong) Corporation Limited by HK\$32,300,000, Concord Capital Securities Limited by HK\$9,000 and Concord Group (BVI) Ltd by HK\$912,000 are unsecured, interest-free and repayable within one year.

**14. POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date on 17 July, 2007, the litigation with Tuen & Partners was settled and the Company paid an amount of HK\$1,680,000 as full and final settlement.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group reports a loss of HK\$14,344,000 for the six months ended 30 June 2007. The operations of the subsidiary, Zhangjiakou Xing Fa, continued to be slow and only achieved a turnover of about HK\$336,000. Overall, the result for this subsidiary is not encouraging. The operations of another new subsidiary, Hao King, achieved a turnover of about HK\$853,000, representing rental and services income from running of an exhibition centre. The result for this subsidiary is on track.

After having completed a review of the business and financial position, the Directors are in the course of formulating a resumption proposal for approval by the Stock Exchange. Such proposal will involve a reorganization of the existing assets and acquisition of new businesses. The Directors are hopeful that this resumption proposal will be successful in the coming few months.

### Liquidity and financial resources

The Group financed the operations primarily from advance from shareholders. As at 30 June 2007, the Group had cash and bank balances of HK\$13,750,000 (31 December 2006: HK\$1,772,000) and unsecured bank loan of HK\$498,000 (31 December 2006: HK\$747,000), repayable within one year.

As at 30 June 2007, the Group had a current ratio of 0.14 (31 December 2006: 0.12). The Group's gearing ratio as at 30 June 2007 was 1.38 (31 December 2006: 1.28) (defined as total liabilities to total assets). There are no significant change in these ratios.

### Provision for loss on bank guarantee

The 70% owned subsidiary of the Company has received an notice of arbitration on 15 August 2006 in respect of a guarantee provided to the China Agricultural Bank on 4 July 2005 in respect of bank loan granted to 河南省龍浩實業有限公司. The China Agricultural Bank is now demanding for repayment amounting to RMB73,005,000 (including principal of RMB63,100,000 and accrued interest of RMB9,905,000). In addition, Zhangjiakou Xing Fa, received another litigation claim amounting to RMB27,531,000 (including principal of RMB27,500,000 and execution fees of RMB31,000). The total for the two litigation and claim amounted to RMB100,536,000. The Directors are now looking into the matters and in particular, the circumstances under which the guarantee was being granted, and are seeking legal advice as to the appropriate course of action to be taken. The Company has provided the amount of guarantee in full in the accounts.

### Charges on assets

Save as disclosed, the Group had not pledged any asset to its bankers as at 30 June 2007.

### Contingent liabilities

As at 30 June 2007, the Group has no material contingent liabilities.

### Exposure to foreign exchange risk

During the period, the Group conducted its business transactions principally in Hong Kong dollars and Renminbi. The Group had not experienced any material difficulties or negative effects on its operations as a result of fluctuations in currency exchange rates. The Board believes it was not necessary to hedge the exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure and will take prudent measure as deemed appropriate.

### **Capital expenditure**

During the period, the Group has prepared for the office removal in July, 2007. Accordingly, there are additions of leasehold improvements, furniture and computer equipment amounting to approximately HK\$950,000. Besides, the company has contracted for leasehold improvement amounting to HK\$322,000, being part of the capital commitment which was not provided for in the financial statements.

### **Material acquisitions and disposal**

Save as disclosed, there has not been any material acquisitions or disposals of assets of the Group.

### **Employees and remuneration policies**

As at 30 June 2007, the Group has a total of 40 (2006: 44) employees. It is the corporate policy of the Group to set the remuneration of its employees at a level commensurate with their responsibilities, experience and qualification and in line with market conditions.

The Company has adopted a share option scheme in June 2002. Eligible participants under the share option scheme include, among others, the Company's directors, independent non-executive directors, other directors/employees of the Group. At 30 June 2007, there are no outstanding share option.

### **Prospects**

In the forthcoming months, the directors will deal with the non-performing assets of the Group and will further acquire profitable business. In this respect, the directors are working on the resumption proposal and have been in close liaison with Stock Exchange with a view to obtain relevant approval and implement the same, resulting in the resumption of trading of the shares of the Company as soon as possible.

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

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

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES**

So far as is known to the directors of the Company, as at 30 June 2007, the persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions 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:

## Long position in the ordinary shares of the Company

Name of shareholder	Capacity	Number of shares	Percentage of shareholding
Ever Fortune Holdings Group Limited (formerly known as “Chinabond International Limited”)	Beneficial owner	530,530,000	20.95%
Concord Group (B.V.I.) Limited	Interest of a controlled corporation	550,530,000 (Note 1)	21.74%
Legend (Group) Investment Limited	Interest of a controlled corporation	550,530,000 (Notes 1 and 2)	21.74%
China Wallink Holding Group Co., Ltd.	Interest of a controlled corporation	550,530,000 (Notes 1 and 2)	21.74%
Evertop Investment Holdings Limited	Interest of a controlled corporation	550,530,000 (Notes 1 and 3)	21.74%
Ji Da Wei	Interest of a controlled corporation	550,530,000 (Notes 1 and 3)	21.74%
China Huaxing (HK) International Company Limited	Interest of a controlled corporation	550,530,000 (Notes 1 and 4)	21.74%
China Huaxing Group Company	Interest of a controlled corporation	550,530,000 (Notes 1 and 4)	21.74%
Wonderland Group (Hong Kong) Corporation Limited	Interest of a controlled corporation	530,530,000 (Notes 1 and 5)	20.95%
Jiangsu Jinhai Investment Company Limited	Interest of a controlled corporation	530,530,000 (Notes 1 and 6)	20.95%
Chen Xin	Beneficial owner	430,000,000	16.98%
Chan Hung Shek	Beneficial owner	334,000,000	13.19%

Notes:

1. Ever Fortune Holdings Group Limited (Formerly Chinabond International Investment Limited) (“Ever Fortune Holdings”) is now holding 530,530,000 shares in the company, is owned as to 60% by Wonderland Group (Hong Kong) Corporation Limited (“Wonderland Group”) and 40% by Concord Group (B.V.I.) Limited (“Concord Group”).

Wonderland Group is wholly owned by Jiangsu Jinhai Investment Company Limited (“Jinagsu Jinhai”).

Concord Group is held by Legend (Group) Investment Limited (“Legend”), Evertop Investment Holdings Limited (“Evertop”), and China Huaxing (HK) International Company Limited (“Huaxing (HK)”) as to 33%, 34% and 33%, respectively.

In addition, Concord Group also directly holds 20,000,000 shares in the Company. Accordingly, Jiangsu Jinhai and Wonderland Group were deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.

Legend, Evertop and Huaxing (HK) were deemed to be interested in 550,530,000 held by Ever Fortune Holdings and Concord Group under the SFO.

2. Legend was 99% owned by China Wallink Holding Group Co., Ltd. Accordingly, China Wallink Holding Group Co., Ltd. was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.
3. Evertop was wholly beneficially owned by Mr. Ji Da Wei. Accordingly, Mr. Ji Da Wei was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.
4. Huaxing (HK) was 98% owned by China Huaxing Group Company. Accordingly, China Huaxing Group Company was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

As at 30 June 2007, the Company had not been notified by any persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions 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.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, at no time during the period was the company or any of its subsidiaries a party to any arrangement to enable the directors 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.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2007, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code of Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, at no time during the period was the company or any of its subsidiaries a party to any arrangement to enable the directors 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 Company has adopted a share option scheme in June 2002. On 1 August 2006, the directors have resolved that all the above outstanding option above either been lapsed or cancelled. As at the date of this report, there are no outstanding option granted by the Company under the scheme.

## CORPORATE GOVERNANCE

To the best knowledge of and so far as is known to the current members of the Board, the Company has complied with the Code Provisions (“Code Provisions”) as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

## AUDIT COMMITTEE

The current audit committee of the Company comprises Mr. So Hoi Pan Edinson, Mr. Yim Hing Wah and Mr. Zhao Wen, all of whom are independent non-executive directors of the Company. The audit committee has reviewed the interim results of the Company for the period ended 30 June 2007.

## THE MODEL CODE

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all the directors of the Company, the directors confirmed, for the six months ended 30 June 2007 that they have complied with the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of Listing Rules.

## PROCEEDINGS INVOLVING THE COMPANY

- (a) On 31 May 2005, Tiffit Securities (Hong Kong) Limited (Provisional Liquidators appointed) (“Tiffit”) issued a writ of summons in the High Court of Hong Kong against the Company, claiming an amount of HK\$1,600,000, being commission for services allegedly provided by Tiffit to the Company. On 10 May 2006, the Court ordered the parties to exchange evidence and to fix a date for hearing of the action. Tiffit has not been able to comply with the Court’s order to exchange evidence with the Company. On 27 February 2007, provisional liquidators were appointed for Tiffit and the action has been stayed since then.
- (b) On 18 July 2006, the Company issued a writ of summons in the High Court of Hong Kong against Tsun & Partners (“TS”) in relation to certain invoices for legal services purported rendered and a purported deed of settlement dated 25 November 2006 (the “purported deed”), which purported to constitute or represent or agree remuneration of TS (the “Action”). The Company claims, amongst others, that TS has grossly overcharged the Company in sums that are grossly excessive and that the purported deed is illegal and unenforceable and/or was signed under duress, undue influence and/or coercion. The Company seeks among others, the Court to tax or assess the fair and reasonable costs of the services rendered and TS’s proper remuneration, and for cancellation of the purported deed and/or that it is illegal and/or unenforceable. On 16 October 2006, the Company paid an amount of HK\$3,300,000 (the “Security”) as security for the Action. On 15 November 2006, TS filed a defence and counterclaim, claiming for the amount of



HK\$3,223,190 and interest at the rate of 6% per annum thereon. On 17 July 2007, by way of a consent order proposed by TS, the Company paid TS an amount of HK\$1,680,000 out of the Security in full and final settlement of the claim and TS's counterclaim. The remaining balance of the Security together with interest thereon was paid to the Company.

- (c) On 10 August 2006, Zhengzhou Arbitration Centre issued an arbitration notice to 張家口興發農林發展有限公司 (Zhangjiakou Xing Fa Agricultural Development Company Limited\*) ("Zhangjiakou Xing Fa"), a 70% owned indirect subsidiary of the Company, naming it as one of the four respondents, in relation to, among others, the arbitration proceedings by the Henan branch of the China Agriculture Bank ("Bank") for the amount of RMB63.10 million due under a guarantee dated 4 July 2005 provided by Zhangjiakou Xing Fa to the Bank to secure a loan in the amount of RMB63.10 million granted by the Bank to 河南省龍浩實業有限公司 (Henan Dragoncom Co., Ltd.\*) ("Henan Dragoncom"). To the best of the knowledge of the Directors, Henan Dragoncom is a company which was owned by Han Jide, a former director of the Company, who resigned on 26 August 2005. At a hearing on 6 March 2007, the Zhengzhou Arbitration Centre ordered the verification of the authentication of certain evidence to determine whether it would have jurisdiction to hear the case. Since then, there has been no further development of the case.
- (d) On 13 March 2007, an enforcement notice was issued by the People's Court of Luoyang High-tech Development Zone pursuant to which Zhangjiakou Xing Fa was ordered to pay a sum of approximately RMB27.5 million to the People's Court of Luoyang High-tech Development Zone in satisfaction of a judgment rendered by the People's Court of Luoyang High-tech Development Zone against Zhangjiakou Xing Fa on 5 March 2006 in relation to a claim by the Luoyang City Commercial Bank ("Commercial Bank") for the amount of approximately RMB27.5 million due under the guarantee dated 15 June 2005 provided by Zhangjiakou Xing Fa in favour of the Commercial Bank to secure a loan in the amount of RMB27.5 million from the Commercial Bank to Henan Dragoncom. No cash repayment or transfer of assets of Zhangjiakou Xing Fa has been effected.

At the request of the Company, trading in the securities of the Company has been suspended since 9:30 a.m. on 28 April, 2005 and will remain suspended until further notice.

By Order of the Board  
**Zhou Wenjun**  
Chairman

Hong Kong, 7 September 2007