



Sun Man Tai Holdings Company Limited

(Incorporated in Bermuda with limited liability)

Stock code: 433

Interim Report
2007



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Guan Guoxing (Chairman)

Jin Jiu Xin

Chiu Yeung

Ren Jun Tao

Ji Jian Xun

Independent Non-executive Directors

Mu Xiangming

Cheng Chak Ho

Lo Wa Kei Roy

COMPANY SECRETARY

Lo Wah Wai

QUALIFIED ACCOUNTANT

Edmund Siu

AUDIT COMMITTEE

Mu Xiangming

Cheng Chak Ho

Lo Wa Kei Roy

REMUNERATION COMMITTEE

Lo Wa Kei Roy

Chiu Yeung

Cheng Chak Ho

PRINCIPAL BANKERS

HSBC

CITIC Ka Wah Bank Limited

Wing Hang Bank Limited

AUDITORS

M.C. Ng & Co.

Certified Public Accountants (Practising)

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 3609-10, 36/F

China Resources Building

No. 26 Harbour 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

Tricor 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)

WEBSITE

www.sunmantai.com.hk

The board of directors (the “Board”) of Sun Man Tai Holdings Company Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007 (in HK Dollars)

	Notes	2007 (Unaudited) \$'000	2006 (Unaudited) \$'000
Turnover	3	82,072	4,716
Cost of sales		(78,475)	(2,290)
Gross profit		3,597	2,426
Other revenue		2,332	6,322
Administrative expenses		(7,271)	(5,249)
Other operating expenses		(5,326)	–
(Loss)/Profit from operations	4	(6,668)	3,499
Finance costs	5	–	(517)
Share of results of an associate		1,056	–
(Loss)/Profit before tax		(5,612)	2,982
Taxation	6	1,202	–
(Loss)/Profit for the period		(4,410)	2,982
Attributable to:			
Equity holders of the Company		(3,735)	2,516
Minority interests		(675)	466
		(4,410)	2,982
(Loss)/Earnings per share	7		
– Basic		(0.13) HK cents	0.08 HK cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007 (in HK Dollars)

	Notes	30 June 2007 (Unaudited) \$'000	31 December 2006 (Audited) \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	145,305	144,346
Goodwill		12,591	12,591
Intangible assets		34,269	36,119
Interest in an associate		28,031	25,084
		<u>220,196</u>	<u>218,140</u>
Current assets			
Accounts receivable	10	894	1,274
Prepayments, deposits and other receivables		2,888	2,918
Financial assets at fair value through profit or loss		45,143	–
Investment deposits		–	83,480
Loan receivables	11	30,765	45,000
Cash and bank balances		74,134	22,312
		<u>153,824</u>	<u>154,984</u>
Non-current assets classified as held for sale	12	–	21,200
		<u>153,824</u>	<u>176,184</u>
Total assets		<u><u>374,020</u></u>	<u><u>394,324</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	33,139	33,139
Reserves		316,685	320,412
		<u>349,824</u>	<u>353,551</u>
Minority interests		14,985	15,660
Total equity		<u><u>364,809</u></u>	<u><u>369,211</u></u>

	Notes	30 June 2007 (Unaudited) \$'000	31 December 2006 (Audited) \$'000
LIABILITIES			
Current liabilities			
Bank loans (secured)		–	14,823
Accounts payable	14	4,582	201
Other payables and accrued expenses		2,844	7,107
Tax payable		1,785	2,982
		<u>9,211</u>	<u>25,113</u>
Total liabilities		<u>9,211</u>	<u>25,113</u>
Total equity and liabilities		<u>374,020</u>	<u>394,324</u>
Net current assets		<u>144,613</u>	<u>151,071</u>
Total assets less current liabilities		<u>364,809</u>	<u>369,211</u>
Net assets		<u>349,824</u>	<u>353,551</u>

Approved by the Board on 24 September 2007 and signed on its behalf by:

Chiu Yeung
Executive Director

Jin Jiu Xin
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007 (Unaudited)

Attributable to equity holders of the Company

	Share capital	Share premium	Contributed surplus	Capital reserve	Exchange reserve	Accumulated losses	Subtotal	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	33,139	491,636	31,350	(894)	(4,668)	(155,648)	394,915	22,951	417,866
Exchange differences on translation of foreign subsidiaries	-	-	-	-	(100)	-	(100)	-	(100)
Profit for the period	-	-	-	-	-	2,982	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>397,797</u>	<u>22,485</u>	<u>420,282</u>
At 1 January 2007	33,139	491,636	31,350	(894)	(4,612)	(197,068)	353,551	15,660	369,211
Exchange differences on translation of foreign subsidiaries	-	-	-	-	8	-	8	-	8
Loss for the period	-	-	-	-	-	(3,735)	(3,735)	(675)	(4,410)
At 30 June 2007	<u>33,139</u>	<u>491,636</u>	<u>31,350</u>	<u>(894)</u>	<u>(4,604)</u>	<u>(200,803)</u>	<u>349,824</u>	<u>14,985</u>	<u>364,809</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007 (in HK Dollars)

	2007 (Unaudited) \$'000	2006 (Unaudited) \$'000
Net cash (outflow)/inflow from operating activities	(1,026)	32,387
Net cash inflow/(outflow) from investing activities	52,848	(10,042)
Net cash outflow from financing activities	—	(9,943)
Increase in cash and cash equivalents	51,822	12,402
Cash and cash equivalents at the beginning of the period	22,312	6,664
Cash and cash equivalents at the end of the period	74,134	19,066
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	74,134	19,066

NOTES TO CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2007 (in HK Dollars)

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 Rooms 3609-10, 36/F., Chinese Resources Building, No.26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company are investment holding, securities trading and property investments. The principal activities of the Company's principal subsidiaries are 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 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 (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The accounting policies and basis of preparation used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the number of new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007.

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK (IFRIC) – Int 12	Service Concession Arrangements ³

1. Effective for annual period beginning on or after 1 January 2009

2. Effective for annual period beginning on or after 1 March 2007

3. Effective for annual period beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

(a) Business Segments

	Six months ended 30 June									
	Property leasing		Interest income		Property management		Securities trading		Consolidated	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Segment revenue	-	486	1,788	502	1,456	3,728	78,828	-	82,072	4,716
Segment results	-	393	1,788	502	156	1,531	(1,823)	-	121	2,426
Other revenue									2,332	6,322
Administrative expenses									(7,271)	(5,249)
Other operating expenses									(1,850)	-
(Loss)/Profit from operations									(6,668)	3,499
Finance costs									-	(517)
Share of results of an associate									1,056	-
(Loss)/Profit before tax									(5,612)	2,982
Taxation									1,202	-
(Loss)/Profit for the period									(4,410)	2,982

(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		Rest of the PRC		Consolidated	
	(Unaudited)		(Unaudited)		(Unaudited)	
	2007	2006	2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Turnover	78,828	486	3,244	4,230	82,072	4,716
(Loss)/Profit from operations	(4,336)	393	(2,332)	3,106	(6,668)	3,499
Segment assets	47,234	47,700	326,786	403,067	374,020	450,767
Segment liabilities	5,143	15,783	4,068	14,607	9,211	30,390
Capital expenditure incurred during the period	563	47	100	129	663	176

4. (LOSS)/PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Amortisation of intangible assets	1,849	–
Depreciation of property, plant and equipment	663	1,010
Operating lease rentals in respect of land and buildings	524	110
Changes in fair value of financial assets through profit or loss	3,477	–
Royalty income	(740)	–
Compensation interest payment received	(1,502)	–
	<u> </u>	<u> </u>

5. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Interest on bank loans and overdraft repayable within 5 years	–	517
	<u> </u>	<u> </u>

6. TAXATION

	Six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Provision for the period	–	–
Over-provision in prior periods	(1,202)	–
	<u> </u>	<u> </u>
	<u>(1,202)</u>	<u> </u>

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 2006: Nil).

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

Deferred tax assets have not recognised in the interim financial statements in respect of estimated tax losses due to the unpredictability of future profit streams (30 June 2006: Nil).

7. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 June 2007 (Unaudited)		2006 (Unaudited)
(Loss)/Earnings for the period for the purpose of basic (loss)/earnings per share (in \$'000)	<u>(3,735)</u>		2,516
Weighted average of ordinary shares for the purpose of basic (loss)/earnings per share	<u>3,313,869,000</u>		<u>3,313,869,000</u>

There were no potential dilutive shares in existence for six months ended 30 June 2007, accordingly, no diluted (loss)/earnings 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 2006: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

The changes in the net book value of property, plant and equipment for six months ended 30 June 2007 are analysed as follow:

	Properties under development \$'000	Furniture fixture and motor vehicles \$'000	Total \$'000
At 1 January 2007 (Audited)	140,913	3,433	144,346
Additions	–	1,622	1,622
Depreciation charge for the period	–	(663)	(663)
At 30 June 2007 (Unaudited)	<u>140,913</u>	<u>4,392</u>	<u>145,305</u>

10. ACCOUNTS RECEIVABLE

	30 June 2007 (Unaudited) \$'000	31 December 2006 (Audited) \$'000
Accounts receivable	894	3,135
Less: Impairment loss on accounts receivable	–	(1,861)
	894	1,274

Included in accounts receivable are debts which are due within 30 days from the date of billing.

11. LOAN RECEIVABLES

	30 June 2007 (Unaudited) \$'000	31 December 2006 (Audited) \$'000
Short-term loans	30,765	45,000

The Group provides short-term loans to independent third parties for the purpose of earning interest income. The short-term loans are unsecured, interest-bearing at rates ranging from 8% to 10% (31 December 2006: 10% to 11%) per annual and repayable within one year. All the outstanding loan receivables had been fully settled subsequent to the period ended 30 June 2007.

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	30 June 2007 (Unaudited) \$'000	31 December 2006 (Audited) \$'000
Transfer from investment properties (Note)	–	21,200

Note: On 5 January 2007, Master Venture Limited and Express Century Limited, indirect wholly owned subsidiaries of the Company, entered into two sale and purchase agreements with an independent third party to dispose of the investment properties at a total consideration of HK\$21,200,000.

13. SHARE CAPITAL

	30 June 2007 (Unaudited)		31 December 2006 (Audited)	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Authorised: Ordinary shares at HK\$0.01 each	<u>20,000,000</u>	<u>200,000</u>	<u>20,000,000</u>	<u>200,000</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>

14. ACCOUNTS PAYABLE

The aging analysis of account payables is set out as follows:

	30 June 2007 (Unaudited) \$'000	31 December 2006 (Audited) \$'000
Due within one month or on demand	<u>4,582</u>	<u>201</u>

15. OPERATING LEASES

At 30 June 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2007 (Unaudited) \$'000	31 December 2006 (Audited) \$'000
Within one year	<u>1,048</u>	<u>186</u>
In the second to fifth year inclusive	<u>1,659</u>	<u>-</u>
	<u>2,707</u>	<u>186</u>

16. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 24 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the period under review, the Group recorded a turnover of approximately HK\$82,072,000 (30 June 2006: HK\$4,716,000), representing an increase of approximately 17 times as compared with the last corresponding period of 2006. Such increase is mainly attributable to the Group continue to expand its securities trading operation which recorded a turnover of approximately HK\$78,828,000 for the six months ended 30 June 2007 whereas there was no turnover generated for the last corresponding period of 2006. In addition, interests income received during the six months ended 30 June 2007 also increased to approximately HK\$1,788,000, representing an increase of approximately 2.5 times as compared to approximately HK\$502,000 for the last corresponding period of 2006.

Apart from this, after the disposal of the Group's investment properties in January 2007, there was no turnover generated from the Group's property leasing operation during the period under review. Moreover, turnover generated from the Group's property management had also decreased to approximately HK\$1,456,000 for the six months ended 30 June 2007, representing a decrease of 61% as compared to HK\$3,728,000 for the last corresponding period of 2006.

During the period under review, the Group recorded a loss of approximately HK\$4,410,000 (30 June 2006: profit of approximately HK\$2,982,000). Such decrease was mainly due to the Group recorded an unreleased loss from the change in fair value of the Group's trading securities of approximately HK\$3,477,000 and amortisation of intangible asset of approximately HK\$1,849,000. Taking out this effect, the Group recorded an operating profit of approximately HK\$916,000.

DIVISIONAL BUSINESS REVIEW

The principal activities of the Group continue to be securities trading, property investment, development and management. An analysis for each of the business operation is set out as follows:

Securities Trading

In view of the favorable market condition for Hong Kong securities market in recent years, the Group continued to expand its securities trading operation during the period under review and the results were very encouraging. For the six months ended 30 June 2007, turnover and profit attributable to the Group's securities trading operation were approximately HK\$78,828,000 and HK\$1,654,000 respectively. Most of the securities purchased by the Group were mainly "Blue Chip" companies or sizable Chinese enterprises which aimed to reduce the market risk associated with the securities.

As at 30 June 2007, the Group had trading securities of approximately HK\$45,143,000 and recognised a loss from the change in fair value of the trading securities of approximately HK\$3,477,000. Those securities held by the Group had been subsequently sold at profits, the Group's investment team will closely monitor the current market situation and will be cautious in making investment decision in order to protect the interest of the Group and its shareholders.

Property Investment

Hong Kong

During the period under review, the Group disposed all of its investment properties in Hong Kong in January 2007 and there was no investment property held by the Group as at 30 June 2007. As such, during the period under review, there was no rental income generated from property leasing operation (30 June 2006: HK\$486,000). Nevertheless, the Group will continue to seek other high quality properties with sound rate of return in Hong Kong for investment in the coming future.

Xian, the PRC

The property project was commenced in 2002 and ranked as the second key project of Xian by the local government. As at 30 June 2007, the costs of this property development project were approximately HK\$141 million. The property development project is a high-class villa-type residential construction project in Xian and is expected to be completed in early 2008. The Group's property development team now frequently travels to Xian to closely monitor the process and discuss with the local property developer for the completion stage of the project.

Property Management

For the six months ended 30 June 2006, turnover generated from the property management operation was approximately HK\$1,456,000 (30 June 2006: HK\$3,728,000), representing a decrease of approximately 61%. Such decrease was mainly due to the Group had terminated one property management contract in last year. During the period under review, the Group still maintained one management contract for a high quality villa-type property in Shanghai. The management of the Group is seeking other high quality property management contract to expand the Group's property management operation.

Associates

As at 30 June 2007, the Group has an associate company which was principally engaged in the manufacturing and trading of pharmaceutical products in the PRC. During the period under review, the results of the associate company are promising and the operation of the associate company continued to expand. For the six months ended 30 June 2007, the Group shared a profit from the associate company for approximately HK\$1,056,000. The Group is confident and expecting a future return from the associate company.

PROSPECTS

The Group will continue to identify and pursue investment opportunities and manage the existing investments in accordance with the Group's investment objectives and policies of achieving medium-term growth in profits and capital appreciation. The Board believes that the Group is able to further its investment objectives and to make timely investment as well as to capture opportunities when they arise.

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\$51,822,000, compared to the net cash inflow of the last corresponding period of HK\$12,402,000.

The Group expressed its gearing ratio as a percentage of bank borrowing over total shareholders' equity. As at 30 June 2007, the gearing ratio was nil (31 December 2006: 0.04).

The Group is of good liquidity and sufficient solvent ability, the current ratio increased from 7.0 as at 31 December 2006 to 16.7 for the six months ended 30 June 2007.

As at 30 June 2007, the debt to equity ratio was 0.03 while it was 0.07 as at 31 December 2006. The ratio was calculated by dividing the total liabilities of HK\$9,211,000 (31 December 2006: HK\$25,113,000) by the total shareholders' equity of HK\$349,824,000 (31 December 2006: HK\$353,551,000).

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 AND TREASURY POLICIES

Capital Structure

The capital structure of the Group as at 30 June 2007 has been summarised below:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Current Assets	153,824	176,184
Current Liabilities	9,211	25,113
Shareholders' equity	349,824	353,551

Current assets mainly comprise cash and bank balances of approximately HK\$74,134,000 (31 December 2006: HK\$22,312,000) and short term loan receivables of HK\$30,765,000 (31 December 2006: HK\$45,000,000).

Current liabilities mainly comprise tax payable, accounts payable, accrual and other payables.

Treasury Policies

During the six months ended 30 June 2007, 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 2007, 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 2007 was nil (31 December 2006: HK\$14,823,000, which was denominated in Hong Kong dollars).

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2007, the Group had no material contingent liabilities (31 December 2006: Nil) and capital commitments (31 December 2006: Nil).

PLEDGE AND CHARGES OF GROUP ASSETS

There was no assets had been pledged to secure any bank borrowings as at 30 June 2007. As at 31 December 2006, properties with net book value of approximately HK\$21,200,000 had been pledged to secure the mortgage loan of the Group.

MATERIAL TRANSACTIONS

- (i) On 5 January 2007, Master Venture Limited and Express Century Limited, indirect wholly-owned subsidiaries of the Company, entered into two sale and purchase agreements with an independent third party to dispose of the investment properties at a total consideration of HK\$21,200,000.
- (ii) On 26 March 2007, Sun Man Tai International Architectural Decoration Design Co., Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into a termination agreement with an independent third party in relation to the acquisition of the entire equity interest of Shanghai Minhang Weixing Horticultural Land ("Weixing"). As the vendor cannot fulfil the requirement according to the time schedule set out in the agreement regarding the acquisitions of Weixing, both the vendor and the Purchaser agreed to terminate the agreement, consideration of HK\$83,479,610 already paid by the Purchaser and the interest penalty of HK\$1,502,633 has been refunded and paid by the vendor to the Purchaser during the period under review.

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 2007, the Group employed 60 (30 June 2006: 55) full time employees in Hong Kong and the PRC. Employee remuneration packages are structured and reviewed with 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 2007 were approximately HK\$1,886,200 (30 June 2006: HK\$1,761,000).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2007, the interests of the directors or chief executives of the Company or 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 (the "SFO") which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, were as follows:

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Chiu Yeung (Note 1)	Held by controlled corporation	500,000	0.02%

Notes:

- 1 Mr. Chiu Yeung was beneficially interested in all the shares of Sunnergy Finance & Investment Limited ("Sunnergy"). Sunnergy held 500,000 shares in the Company.
- 2 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 2007, none of the directors or chief executives of the Company and their respective 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) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code in the Listing Rules.

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. As at 30 June 2007 and up to the date of this report, 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 2007, other than the interests and short positions of the directors or chief executives of the Company disclosed above, persons or companies who had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholders	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 (Note 2)	Held by spouse/held by controlled corporation	1,148,368,235	34.65%
China Wan Tai (Note 3)	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. 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. 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.
4. All interests stated above represent long position.

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any party who, as at 30 June 2007, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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 2007.

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 (the “Code”) contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2007 except the following:

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. The Company had appointed Mr. Guan Guoxing as the executive director of the Company and the chairman of the Board on 12 December 2006 and 12 January 2007 respectively. Mr. Chiu Yeung, executive director of the Company, had also been appointed as the chief executive officer of the Company on 12 January 2007.

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 2007.

Remuneration Committee

The remuneration committee comprises one executive director, Mr. Chiu Yeung and two independent non-executive directors, namely Messrs. Lo Wa Kei Roy and Cheng Chak Ho. The remuneration committee has adopted terms of reference which are in line with the Code and met once during the period. All members had attend the meeting.

Corporate Governance Committee

The corporate governance committee comprises two executive directors of the Company, namely Messrs. Guan Guoxing and Jin Jiu Xin and an independent non-executive director, Mr. Cheng Chak Ho. The purpose of the establishment of the corporate governance committee is to oversee the Company's corporate governance matters and to ensure the Company has complied with the Code as set out in the Listing Rules. The corporate governance committee had reviewed the issues related to corporate governance in the interim report for the six months ended 30 June 2007.

Financial Reporting Committee

The financial reporting committee comprises two executive directors of the Company, namely Messrs. Jin Jiu Xin and Chiu Yeung and an independent non-executive director, Mr. Lo Wa Kei Roy. The purpose of the establishment of the financial reporting committee is to oversee the preparation of financial statements of each financial period, which give a true and fair view of the state of affairs of the Company and its subsidiaries and of the results and cash flow for that period. The financial reporting committee is also responsible to ensure the compliance of disclosure requirement under the Listing Rules in a timely manner.

Both the corporate governance committee and financial reporting committee had held a meeting on 24 September 2007 to discuss the relevant matters. All members had attended the respective meetings.

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, 24 September 2007