



連發國際股份有限公司

Ever Fortune International Holdings Limited

Stock Code : 875



Interim Report 2011

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 2011 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover	2	8,059	7,065
Cost of sales		(8,151)	(6,258)
Gross (loss) profit		(92)	807
Selling and distribution expenses		(292)	(291)
Staff costs		(644)	(513)
Depreciation		(4)	(176)
Administrative and other operating expenses		(2,218)	(3,944)
Loss from operations before taxation		(3,250)	(4,117)
Income tax	4	-	-
Loss for the period	3	(3,250)	(4,117)
Attributable to:			
Owners of the Company		(3,250)	(4,117)
Minority interests		-	-
		(3,250)	(4,117)
Dividends	6	-	-
Earnings/(loss) per share			
Basic and diluted	7	(HK0.13 cents)	(HK0.16 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2011*

		As at 30 June 2011 HK\$'000 (unaudited)	As at 31 December 2010 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		11	15
Current assets			
Trade and other receivables	8	764	941
Cash and cash equivalents		2,413	435
		3,177	1,376
Current liabilities			
Trade and other payables	9	68,751	66,614
Other borrowings	10	9,246	6,336
		77,997	72,950
Net current liabilities		(74,820)	(71,574)
Net liabilities		(74,809)	(71,559)
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		25,325	25,325
Reserves		(100,134)	(96,884)
Total equity		(74,809)	(71,559)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2011 (Unaudited)*

	Issued Capital HK\$'000	Attributable to owners of the Company				Total HK\$'000
		Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Reserves HK\$'000	
At 1 January 2010	25,325	163,532	126,883	(377,678)	(87,263)	(61,938)
Loss for the period	-	-	-	(4,117)	(4,117)	(4,117)
At 30 June 2010	25,325	163,532	126,883	(381,795)	(91,380)	(61,938)
At 1 January 2011	25,325	163,532	126,883	(387,299)	(96,884)	(71,559)
Loss for the period	-	-	-	(3,250)	(3,250)	(3,250)
At 30 June 2011	25,325	163,532	126,883	(390,549)	(100,134)	(74,809)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2011*

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Loss before taxation	(3,250)	(4,117)
Adjustments for:		
Depreciation for property, plant and equipment	4	176
Operating loss before change in working capital	(3,246)	(3,941)
Decrease/(increase) in trade and other receivables	177	3,977
(Decrease)/increase in trade and other payables	2,137	(355)
Net cash used in operating activities	(932)	(319)
Investing activities		
Interest received	–	–
Purchase of property, plant and equipment	–	(1)
Net cash used in investing activities	–	(1)
Financing activities		
Other borrowings	2,910	1,250
Net cash generated from financing activities	2,910	1,250
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,978	930
Cash and cash equivalents at 1 January	435	103
CASH AND CASH EQUIVALENTS AT 30 JUNE	2,413	1,033

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34 "Interim Financial Reporting" and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the annual accounting periods of the Group. We believe the adoption of a new and revised HKFRS will not have a material impact on the Group's financial position or results of operations.

2. TURNOVER

Turnover represented revenue arising on net amounts received and receivable from trading of agricultural produce, less sale returns and trade discounts. The amount of each significant category of revenue recognised in turnover are as follows:

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Trading of agricultural produce	8,059	7,065

3. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

(a) Finance costs

No finance costs were incurred for the six months ended 30 June 2011 (2010: Nil).

(b) Staff costs (including directors' emoluments)

	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Salaries, wages and other benefits	628	499
Contributions to defined contributed retirement plans	16	14
	644	513

(c) Other items

	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Depreciation for property, plant and equipment	4	176
Operating lease charges: minimum lease payments	54	910
Auditors' remuneration		
– audit services	225	230
– other services	709	–
Legal and professional fees	842	462
Cost of sales	8,151	6,258

4. INCOME TAX

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong profits tax	–	–
Overseas profits tax	–	–
	–	–

Hong Kong profits tax has not been provided as there are no estimated assessable profits for the interim period (2010: 16.5%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

5. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Business segments

The Group comprises the following main business segments:

- (a) Assets holding: Assets holding
- (b) Agricultural produce: Trading of agricultural produce

There were no inter-segment sales and transfer during the current and prior period.

5. SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's turnover, contribution to loss from operations for the period ended 30 June 2011 and 2010 and certain assets, liabilities and expenditure information regarding business segments are as follows:

	Six months ended 30 June					
	Assets holding		Agricultural produce		Total	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:						
External sales	-	-	8,059	7,065	8,059	7,065
Inter-segment sales	-	-	-	-	-	-
Total revenue	-	-	8,059	7,065	8,095	7,065
Results:						
Segment result and loss before taxation	(3,091)	(3,343)	(159)	(774)	(3,250)	(4,117)
Income tax	-	-	-	-	-	-
Loss for the period	(3,091)	(3,343)	(159)	(774)	(3,250)	(4,117)
Other information:						
Capital expenditure						
- segment	-	-	-	-	-	-
- unallocated	-	1	-	-	-	1
Depreciation and amortisation						
- segment	4	176	-	-	4	176

5. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June					
	Assets holding		Agricultural produce		Total	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Assets:						
Segment assets	1,617	1,163	1,571	2,627	3,188	3,790
Unallocated corporate assets	-	-	-	-	-	-
Consolidated total assets	1,617	1,163	1,571	2,627	3,188	3,790
Liabilities:						
Segment liabilities	76,232	69,757	1,765	88	77,997	69,845
Unallocated corporate liabilities	-	-	-	-	-	-
Consolidated total liabilities	76,232	69,757	1,765	88	77,997	69,845

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: 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\$3,250,000 (six months ended 30/6/2010: loss of HK\$4,117,000) and the number of ordinary shares of 2,532,543,083 (six months ended 30/6/2010: 2,532,543,083).

Diluted loss per share equals to basic loss per share as there are no diluted potential ordinary shares outstanding during both periods presented.

8. TRADE AND OTHER RECEIVABLES

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Trade receivables – note	17	118
Prepayments and deposits	747	823
	764	941

Note: Trade receivables

Trade receivables are due within 60 days from date of billing. At 30 June 2011 and 31 December 2010, the ageing analysis of the trade receivables was as follows:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Current	–	–
Over 90 days	17	118
	17	118

9. TRADE AND OTHER PAYABLES

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Trade payables	1,696	644
Other payables and accruals	2,473	2,337
Due to related companies (note 12(b))	59,032	59,032
Amounts due to directors (note 12(c))	5,550	4,601
	68,751	65,464

At 30 June 2011 and 31 December 2010, the ageing analysis of the trade payables was as follows:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within 1 year or on demand	1,696	644

10. OTHER BORROWINGS

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Other loan, unsecured (note (a))	86	86
Other loan, secured (note (b))	9,160	6,250
	9,246	6,336

At 30 June 2011, the other borrowings were repayable as follows:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within 1 year or on demand	9,246	6,336

Note (a): No interest is charged on the outstanding balance of HK\$86,000.

Note (b): On 19 January 2009, Trade Front Limited ("Trade Front"), a wholly-owned subsidiary company of the Group, has entered into a loan agreement with Right Day Holdings Limited ("Right Day") an independent potential investor. Right Day agrees to provide a loan facility of up to HK\$10,000,000 for the working capital of Trade Front and Trade Day to reactivate the Group's previously discontinued agricultural product trading business. The loan facility is secured by the entire issued share capital of each of Trade Front, Trade Day and their immediate holding company, First Novel. As at 30 June 2011, HK\$9,160,000 was drawn under the loan facility. No interest is charged on the outstanding amount. Subsequently on 5 August 2011, the repayment date under this facility was extended to 31 December 2011.

11. COMMITMENTS

Operating lease arrangements

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payables as follows:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Within 1 year	103	108
After 1 year but within 5 years	–	49
	103	157

The Group leases one property from an independent party under operating leases. The lease runs for a period of two years, with an option to terminate the lease after 12 months.

Capital Commitment

The Group and the Company did not have any significant capital commitments for the current and prior periods.

12. MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
Concord Credit Services Limited ("Concord Credit")	Mr. Ji Kewi is a common director
Concord Group BVI Limited ("Concord Group")	Mr. Ji Kewi is a common director
Pelican Securities Limited (formerly known as "Concord Capital Securities Limited") ("Pelican Securities")	Mr. Ji Kewi is a common director and a minority shareholder of the related company
Ever Fortune Holdings Group Limited ("Ever Fortune Holdings")	A controlling shareholder of the Company and Mr. Ji Kewi is a common director
Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group")	A 60% beneficial shareholder of Ever Fortune Holdings and Mr. Zhou Wenjun, Mr. Dai Jun and Mr. Sun Kejun are the common directors
Jiangsu Jinhai Investment Company Limited ("Jiangsu Jinhai")	The parent of Wonderland Group
連雲港金海旅游發展有限公司 ("金海旅游")	A wholly owned subsidiary of Jiangsu Jinhai
Luck Healthy Group Limited ("Luck Healthy")	Mr. Ding Jianguyong is the related party of Luck Healthy

12. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Key management personnel remuneration

Remuneration for key management personal, including amounts paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Salaries and other short-term employee benefits	250	250
Retirement scheme contributions	6	6
	256	256

(b) Due to related parties

	30 June	31 December
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (audited)
Pelican Securities (note i)	–	9
Concord Group (note ii)	10,032	10,032
Wonderland Group (note ii)	44,000	44,000
Luck Healthy (note ii)	5,000	5,000
	59,032	59,041
(c) Amounts due to directors (note (ii))	5,550	3,738

Notes:

- (i) The amounts are unsecured, interest-free with no fixed terms of repayment.
- (ii) The amounts are unsecured, interest-free and repayable within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

A loss of HK\$3,250,000 was recorded by the Group in respect of the six months ended 30 June 2011 and the turnover during the period amounted to HK\$8,059,000 which represents a growth of 14% when compared to the corresponding period. Market conditions for the Group's products changed rapidly during the period and the Group suffered a gross loss of HK\$92,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed the operations primarily from advance from shareholders and a loan from investor. As at 30 June 2011, the Group had cash and bank balances of HK\$2,413,000 (31 December 2010: HK\$435,000). As at 30 June 2011, the Group's current ratio was 0.04 (31 December 2010: 0.02).

CHARGES ON ASSETS

On 19 January 2009, Trade Front entered into a loan agreement with the Investor whereby a loan facility of up to HK\$10,000,000 would be provided by the Investor to First Novel and Trade Front and extended to Trade Day. The entire issued share capital of each of Trade Front, Trade Day and their immediate holding company, First Novel, has been pledged to the Investor as a security.

Save as disclosed, the Group had not pledged any asset as at 30 June 2011.

GEARING RATIO

The Group's gearing ratio as at 30 June 2011 was 24.47 (31 December 2010: 52.44), which was arrived at by dividing the total liabilities by total assets.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2011, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

EXPOSURE TO FOREIGN EXCHANGE RISK

During the half-year period to 30 June 2011, the Group conducted its business transactions principally in Hong Kong dollars. Therefore, there is no significant foreign exchange risk for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL EXPENDITURE

As at 30 June 2011, there has not been any material capital expenditure.

MATERIAL ACQUISITIONS AND DISPOSAL

On 23 February 2010, announcement was made regarding the followings:

- (a) On 23 December 2009, the Company has entered into a conditional sale and purchase agreement with an independent party for the acquisition of the entire equity interest in Natural Farm, which is the supplier of Trade Day and engaged in vegetable trading business and operates a vegetable processing centre in Dongguan, at a total consideration of HK\$48,750,000. The total consideration of HK\$48,750,000 will be satisfied by (a) HK\$15,000,000 in cash; and (b) HK\$33,750,000 by the issue of preference shares of the Company at an issue price of HK\$0.15. The preference shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Natural Farm for the years ending 31 March 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (a) If the average net profit after tax of Natural Farm for the years ending 31 March 2011 and 2012 is less than HK\$7,500,000, the shortfall will be adjusted by reducing the number of preference shares to be issued; and (b) If the net asset value (plus shareholder's loan of HK\$20,000,000 assigned to the Company) of Natural Farm as at the completion of the acquisition is less than HK\$20,717,313.06, the shortfall will be paid by the vendor to the Company in cash.
- (b) On 23 December 2009, the Company has entered into a conditional sale and purchase agreement with two independent parties for the acquisition of the entire equity interest in Polygold, which is engaged in vegetable retailing business at a total consideration of HK\$16,250,000. The total consideration of HK\$16,250,000 will be satisfied by (a) HK\$5,000,000 in cash; and (b) HK\$11,250,000 by the issue of preference shares of the Company at an issue price of HK\$0.15. The preference shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Polygold for the years ending 31 March 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (a) If the average net profit after tax of Polygold for the years ending 31 March 2011 and 2012 is less than HK\$2,500,000, the shortfall will be adjusted by reducing the number of preference shares to be issued; and (b) If the net asset value of Polygold as at the completion of the acquisition is less than HK\$1,871,890.60, the shortfall will be paid by the vendors to the Company in cash.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 29 July 2011, announcement was made regarding the followings:

- (c) On 2 August 2010, the Company has entered into a conditional sale and purchase agreement with two independent parties for the acquisition of the entire equity interest in Modern Excellence, which is engaged in vegetable retailing business, at a total consideration of HK\$143,000,000. The total consideration of HK\$143,000,000 will be satisfied by (i) HK\$35,750,000 in cash; and (ii) HK\$107,250,000 by the issue of preference shares of the Company at an issue price of HK\$0.15. The preference shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Modern Excellence for the years ending 31 December 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (i) If the average net profit after tax of Modern Excellence for the years ending 31 December 2011 and 2012 is less than HK\$20,000,000, the shortfall will be adjusted by reducing the number of preference shares to be issued; and (ii) If the net asset value of Modern Excellence as at the completion of the acquisition is less than RMB88,302,701, the shortfall will be paid by the vendors to the Company in cash.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group has a total of 4 (2010: 4) 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 (the "Scheme") in June 2002. Eligible participants under the Scheme include, among others, the Company's directors, independent non-executive directors and other directors/employees of the Group. As at 30 June 2011, there are no outstanding options under the Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS

As recently announced, the Group is making further acquisitions into various agricultural businesses to expand operation base and such acquisitions have been incorporated into the revised resumption proposal, which was conditionally approved by the Stock Exchange. Such agricultural business involves vegetable trading, vegetable retailing and growing, processing and sales of vegetables. Procedures are now in progress to achieve completion of all necessary particulars and it is anticipated that such completion will be achieved as soon as possible.

Once the acquisitions as mentioned in the proposal are completed, the Group will be able to combine these operations under the same control. On the basis of the enlarged operation, it is expected that substantial improvement to operating results will be achieved.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, none of the directors and chief executive of the Company had any interests or shorts 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 registered required to be kept by the Company under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to the directors of the Company, as at 30 June 2011, 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 shareholders	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%
Crowneast Worldwide Limited	Interest of a controlled corporation	530,530,000 (Note 1)	20.95%
Wonderland Group (Hong Kong) Corporation Limited	Interest of a controlled corporation	530,530,000 (Note 1)	20.95%
Jiangsu Jinhai Investment Company Limited	Interest of a controlled corporation	530,530,000 (Note 1)	20.95%
Concord Group (B.V.I.) Limited	Interest of a controlled corporation	550,530,000 (Note 1)	21.74%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Name of shareholders	Capacity	Number of shares	Percentage of shareholding
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%
Mr. 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%
Mr. Chen Xin	Beneficial owner	430,000,000	16.98%
Mr. Chan Hung Shek	Beneficial owner	334,000,000	13.19%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

1. Ever Fortune Holdings Group Limited (formerly known as "Chinabond International Limited") ("Ever Fortune Holdings") is now holding 530,530,000 shares in the Company, is owned as to 60% by Crowneast Worldwide Limited, which is 100% held 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 shares 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 Ever Fortune Holdings 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 2011, 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.

SHARE OPTION SCHEME

The Company has adopted a share option scheme in June 2002. As at 30 June 2011, there are no outstanding option.

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 with the exception of Code Provision A.4.2.

A.4.2 Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's bye-laws deviate from Code Provision A.4.2 as it provides that one-third of the directors for the time being (save for the Chairman or Managing Director), or if their number is not three nor a multiple of three, then the number nearest to one-third, shall retire from office and being eligible, offer themselves for re-election at the annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, and he/she shall be eligible for re-election.

To conform with Code Provision A.4.2, the Company in practice has complied with and adopted the said Code Provision A.4.2. According to the current corporate governance practices of the Company, all directors of the Company shall recommend themselves for re-election once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Due to the death of Mr. Yim Hing Wah on 14th July 2009, the Company has not complied with Rule 3.10 that every board of directors must include at least three independent non-executive directors.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2010 annual report for more information about the corporate governance practices of the Company.

AUDIT COMMITTEE

The current audit committee of the Company comprises Mr. So Hoi Pan and Mr. Zhao Wen, all of whom are independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the condensed consolidated financial statements for the six months ended 30 June 2011.

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 2011 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. The Company has also adopted written guidelines on no less exacting terms than the Model Code for relevant employees. No incident of non-compliance of the employees’ written guidelines by relevant employees was noted by the Company during the period.

MATERIAL LITIGATIONS

The Company was not involved in any material litigation or arbitration during the reporting period.

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, 22 August 2011