



The United Laboratories International Holdings Limited

聯邦制藥國際控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3933)

Interim Results Announcement For the six months ended 30 June 2007

FINANCIAL HIGHLIGHT

	Six months ended 30 June		Increase
	2007 HK\$'000	2006 HK\$'000	
Turnover	1,215,989	948,626	28.2%
EBITA	348,792	231,962	50.4%
Profit before taxation	209,431	109,081	92.0%
Profit attributable to equity holders of the Company	174,294	83,666	108.3%
Earnings per share attributable to equity holders of the Company	HK18.8cents	HK9.3cents	102.2%

The Board of Directors (the “Directors”) of The United Laboratories International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 and the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	1,215,989	948,626
Cost of sales		<u>(684,838)</u>	<u>(605,385)</u>
Gross profit		531,151	343,241
Other income	4	10,211	10,266
Selling and distribution costs		(190,161)	(148,303)
Administrative expenses		(68,941)	(54,461)
Other expenses		(32,443)	(9,263)
Finance costs	5	(40,386)	(38,285)
Share of results of an associate		-	(2,726)
Gain on disposal of an associate		<u>-</u>	<u>8,612</u>
Profit before taxation		209,431	109,081
Taxation	6	<u>(35,137)</u>	<u>(25,415)</u>
Profit for the period attributable to equity holders of the Company	7	<u>174,294</u>	<u>83,666</u>
Distributions	8	<u>277,083</u>	<u>-</u>
Earnings per share – Basic	9	<u>HK18.8 cents</u>	<u>HK9.3 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	Notes		
Non-Current Assets			
Property, plant and equipment	10	1,752,186	1,640,077
Prepaid lease payments		81,591	80,392
Goodwill		3,110	3,001
Intangible assets		2,564	3,663
Deposits for acquisition of property, plant and equipment		104,993	7,454
		<u>1,944,444</u>	<u>1,734,587</u>
Current Assets			
Inventories		413,781	344,115
Trade and bills receivables, deposits and prepayments	11	735,174	798,387
Loan receivable		-	1,779
Prepaid lease payments		1,936	1,888
Amount due from a director		-	515,673
Pledged bank deposits		182,172	216,565
Bank balances and cash		859,213	99,226
		<u>2,192,276</u>	<u>1,977,633</u>
Current Liabilities			
Trade and bills payables and accrued charges	12	866,806	894,309
Tax payables		28,747	24,100
Borrowings		877,033	1,047,460
Trust receipt loans		675	701
Bank overdraft, unsecured		4,772	5,956
		<u>1,778,033</u>	<u>1,972,526</u>
Net Current Assets		<u>414,243</u>	<u>5,107</u>
Total Assets less Current Liabilities		<u>2,358,687</u>	<u>1,739,694</u>
Non-Current Liabilities			
Bank borrowings		317,023	252,129
Loan from a director		-	160,100
Deferred taxation		15,289	15,870
		<u>332,312</u>	<u>428,099</u>
		<u>2,026,375</u>	<u>1,311,595</u>
Capital and Reserves			
Share capital		12,000	390
Reserves		2,014,375	1,311,205
Total Equity		<u>2,026,375</u>	<u>1,311,595</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. BASIS OF PRESENTATION

The Company is a limited company incorporated in the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at 6 Fuk Wong Street, Yuen Long Industrial Estate, Yuen Long, New Territories. The Company is an investment holding company.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as set out in "Statutory and General Information" in the prospectus (the "Prospectus") issued by the Company dated 4 June 2007, the Company became the holding company from 25 May 2007. The Group resulting from the Group Reorganisation is regarded as a restructure of enterprises under common control. Accordingly, the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement have been prepared on the basis as if the Company had always been the holding company of the Group.

The shares of the Company have been listed on the Stock Exchange with effect from 15 June 2007.

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 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 on the Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the accountant's report on the Group's financial information for the year ended 31 December 2006 as set out in Appendix I to the Prospectus.

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

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

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 periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

3. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes, and sub-contracting service income for sub-contracting services rendered by the Group to outside customers.

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Sales of goods	1,215,989	940,364
Sub-contracting service income	-	8,262
	<u>1,215,989</u>	<u>948,626</u>

Business segments

The Group is currently organised into three revenue streams – (i) sale of intermediate products (“Intermediate products”); (ii) sale of bulk medicine and subcontracting income on bulk medicine (“Bulk medicine”); (iii) sale of antibiotics finished products, non-antibiotics finished products and capsule casings (“Finished products”). These revenue streams are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the six months ended 30 June 2007

	<u>Intermediate products</u> HK\$'000	<u>Bulk medicine</u> HK\$'000	<u>Finished products</u> HK\$'000	<u>Elimination</u> HK\$'000	<u>Combined</u> HK\$'000
TURNOVER					
External sales	57,976	707,713	450,300	-	1,215,989
Inter-segment sales	328,262	76,062	-	(404,324)	-
	<u>386,238</u>	<u>783,775</u>	<u>450,300</u>	<u>(404,324)</u>	<u>1,215,989</u>
RESULTS					
Segment result	<u>3,125</u>	<u>171,358</u>	<u>102,001</u>		276,484
Unallocated other income					3,257
Unallocated corporate expenses					(29,924)
Finance costs					<u>(40,386)</u>
Profit before taxation					209,431
Taxation					<u>(35,137)</u>
Profit attributable to equity holders of the Company					<u>174,294</u>

For the six months ended 30 June 2006

	Intermediate products HK\$'000	Bulk medicine HK\$'000	Finished products HK\$'000	Elimination HK\$'000	Combined HK\$'000
TURNOVER					
External sales	77,166	465,730	405,730	-	948,626
Inter-segment sales	289,193	149,716	-	(438,909)	-
	<u>366,359</u>	<u>615,446</u>	<u>405,730</u>	<u>(438,909)</u>	<u>948,626</u>
RESULTS					
Segment result	<u>3,448</u>	<u>22,837</u>	<u>114,637</u>		140,922
Unallocated other income					1,035
Unallocated corporate expenses					(477)
Finance costs					(38,285)
Share of results of an associate					(2,726)
Gain on disposal of an associate					<u>8,612</u>
Profit before taxation					109,081
Taxation					<u>(25,415)</u>
Profit attributable to equity holders of the Company					<u>83,666</u>

4. OTHER INCOME

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	1,680	1,403
Gain on disposal of property, plant and equipment	-	326
Interest income from share subscription (note)	1,548	-
Net exchange gain	-	1,132
Sales of raw materials	5,052	3,053
Subsidy income	1,542	3,558
Sundry income	389	794
	<u>10,211</u>	<u>10,266</u>

Note: Interest income from share subscription represents deposit interest income arising from the Company's share application under the public offering in June 2007.

5. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	35,577	31,962
Interest on loan from a director	4,809	6,156
Finance charges on obligations under finance leases	-	167
	<u>40,386</u>	<u>38,285</u>

6. TAXATION

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
The charge comprises:		
Current tax:		
- Hong Kong Profits Tax	5,757	6,490
- PRC enterprise income tax	29,961	20,453
- Overprovision of PRC enterprise income tax in prior years	-	(1,413)
	<u>35,718</u>	<u>25,530</u>
Deferred tax	<u>(581)</u>	<u>(115)</u>
	<u>35,137</u>	<u>25,415</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the periods.

PRC enterprise income tax are calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to 《外商投资企业 and 外国企业所得税法》 (the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises) and 《外商投资企业 and 外国企业所得税法实施细则》 (Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises), both of which came into force on 1 July 1999, certain subsidiaries in the PRC are entitled to exemption from the PRC enterprise income tax for the first two years commencing from their first profit-making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter will be entitled to a 50% relief from the PRC enterprise income tax for the following three years or are entitled to a preferential tax rate as the subsidiaries are regarded as high-technology companies.

7. PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit for the period attributable to equity holders of the Company has been arrived at after charging:		
Allowance for inventories	2,773	-
Allowance for doubtful debts	793	760
Listing expenses (included in other expenses)	27,652	-
Depreciation and amortisation		
- Property, plant and equipment	96,834	82,385
- Intangible assets (included in administrative expenses)	1,220	1,347
- Prepaid lease payments on land use rights	921	864
	<u>98,975</u>	<u>84,596</u>

8. DISTRIBUTIONS

On 21 May 2007, The United Laboratories (Hong Kong) Holding Limited, the then holding company of the Group declared a special dividend of HK\$277,083,000 to its then sole shareholder. Such dividend was settled by way of offsetting the amount due from a director of HK\$437,183,000 and loan from a director of HK\$160,100,000.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

9. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to the equity holders of the Company and the weighted average number of 926,519,337 (for the six months ended 30 June 2006: 900,000,000) shares in issue assuming that the capitalisation issue has taken place on 1 January 2006.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately HK\$64,174,000 on construction of factory premises and HK\$91,166,000 on additions to manufacturing plant in the PRC, in order to upgrade its manufacturing capabilities.

11. TRADE AND BILLS RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group normally allows an average credit period of 30 days to 120 days to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group.

The following is an aged analysis of trade and bills receivables at the balance sheet dates:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Trade receivables		
0 to 60 days	262,900	309,877
61 to 90 days	13,492	25,394
Over 90 days	12,981	24,657
	<u>289,373</u>	<u>359,928</u>
Bills receivables		
0 to 60 days	164,841	175,379
61 to 90 days	66,679	79,761
Over 90 days	138,737	136,329
	<u>370,257</u>	<u>391,469</u>
Deposits, other receivables and prepayments	75,544	46,990
	<u>735,174</u>	<u>798,387</u>

12. TRADE AND BILLS PAYABLES AND ACCRUED CHARGES

The Group normally receives credit terms of 0 days to 120 days from its suppliers. The followings is an aged analysis of the trade and bills payables at the balance sheet dates:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Trade payables		
0 to 90 days	280,349	318,133
91 to 180 days	100,798	89,335
Over 180 days	67,392	18,666
	<u>448,539</u>	<u>426,134</u>
Bills payables		
0 to 90 days	109,693	183,839
91 to 180 days	131,396	163,508
Over 180 days	9,813	-
	<u>250,902</u>	<u>347,347</u>
Other payables and accruals (note)	167,365	120,828
	<u>866,806</u>	<u>894,309</u>

Note: Include in other payables and accruals was an amount of HK\$32,808,000 (2006: HK\$25,850,000) payable for acquisition of property, plant and equipment.

13. CAPITAL COMMITMENTS

At 30 June 2007, the Group had commitments for capital expenditure of HK\$251,675,000 (2006: HK\$79,455,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

14. SUBSEQUENT EVENT

Subsequent to 30 June 2007, a wholly owned subsidiary, 聯邦制藥(內蒙古)有限公司 ("United Laboratories (Inner Mongolia)"), was approved by local government authority to be established in the PRC on 24 July 2007 with registered capital of RMB50,000,000. United Laboratories (Inner Mongolia) will be principally engaged in the manufacturing and sale of pharmaceutical intermediate products in Inner Mongolia, PRC. The registered capital of RMB50,000,000 has been fully paid by the Group on 17 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Performance

Market Review in the six months ended 30 June 2007

Due to an increased proportion of the elderly in the PRC population, people in the PRC have paid increasing attention to healthcare, which has led to increasing average expenditure on personal healthcare, and the pharmaceutical industry has been driven by huge development. Market demand for bulk medicine, chemical finished products and biologic medicine has increased continuously.

In the first six months ended 30 June 2007 (the "Period"), the productivity and sales of the pharmaceutical industry was kept at fast growth with huge improvements in economies of scale. The National Development and Reform Commission of the PRC ("NDRC") has been in conformity with the mission of promoting the balanced development of social economy. During the Period, strengthened macro measurements were introduced to improve and provide solutions to major social problems within the public. The NDRC is focused mainly on improving the people's social medical insurance welfare, with such improvements focusing on three major areas including medical policies, healthcare system reform and rural medical policies. For medical policies, the PRC government is focused on promoting national policies including the enlarging of the scope of social medical insurance and increasing the amount of investment in resources for medical healthcare. Nationwide healthcare system reform has been running steadily and the construction of healthcare medical services in the cities has been enhanced. As to improvement of medical system in the rural areas, the scope of medical healthcare services and number of people benefiting from such services will be enlarged and increased.

Due to increases in the expenditure on public healthcare and average personal healthcare and the PRC government's focus on improvement of medical policies and environmental system, the Company we believes that such will be beneficial to the Group's future development and offer new opportunities to the Group.

Financial Performance

In the six months ended 30 June 2007, the Group achieved excellent results with its turnover increasing by 28.2% to HK\$1,216 million as compared with the same period in the preceding year. The Group's profit attributable to shareholders was approximately HK\$174.3 million, representing a heavy increased of 108.3% as compared with the same period in the preceding year. The great increased in the Group's results was mainly due to increase in price and sales of bulk medicine products. The Group's overall gross profit and net profit margin were continuously increased by 7.5% and 5.5% respectively, as compared with the same period in the preceding year. Segmental turnover (including inter-segment sales) of Intermediate Products, Bulk Medicine and Finished Products increased by 5.4%, 27.4% and 11.0% respectively for the six months ended 30 June 2007 as compared with the same period in preceding year. Segment results of Bulk Medicine increased by 650.4% while segment results of Intermediate Products and Finished Products decreased by 9.4% and 11.0% respectively.

The Group has successfully established long, good and stable business relationships with its customers, hospitals and distributors, which has led to a continued increase in the turnover of the Group derived from the PRC market. During the Period, the proportion of overseas sales increased to take up approximately 25.0% of the Group's total turnover, representing an increase of 62.1% as compared with the same period in the preceding year. The Group has a vertically integrated production operation which maximizes the efficiency of scales and increased the Group's profitability.

Business Review

Distribution

The Group has set up a large sales network for the marketing and promotion of antibiotics finished products and other non-antibiotics finished products in the PRC. As at 30 June 2007, the Group had 1,600 sales representatives responsible for the Group's sales of antibiotics finished products and other non-antibiotics finished products stationed in 24 sales offices. The sales network covers all provinces, autonomous regions and directly-administered municipalities in the PRC except for the Tibet Autonomous Region and Inner Mongolia Autonomous Region. Other than the 24 sales offices, the Group also engaged a separate sales team for sales and marketing of the bulk medicine and intermediate products.

Research and Development

The Group has allocated a large amount of resources on research activities. During the Period, the Group continued to undertake research and development on its own and to collaborate with reputable universities and other medical research institutions in the PRC, including the chemical engineering department of Tsinghua University and the Sichuan Industrial Institute of Antibiotic of China National Pharmaceutical Group Corporation for research and development. The Group's research and development is focused on improvement of product quality and productivity as well as development of new products.

New product Adefovir Dipivoxil Capsules was launched to the market in September 2007.

Environmental Engineering

Protection of the environment is one of the policies given high priority within the nation, especially for control of high pollution industries, for which medicine industry is one of the strict control industries. During the Period, the Group completed a number of environmental engineering projects, with all plants involved having passed national environmental standards. All sewage treatment measures and facilities situated in the group's production plant in Chengdu, the PRC, for the production of intermediate products have complied with national standards and the plant has obtained approval to run at its full capacity and therefore the competitiveness of the Group has been strengthened.

Liquidity and Financial Resources

As at 30 June 2007, the Group had bank deposits, cash and bank balances amounted to HK\$1,041 million (31 December 2006: HK\$316 million).

As at 30 June 2007, the Group had interest-bearing bank borrowings of approximate HK\$1,194 million (31 December 2006: HK\$1,300 million), which were denominated in Hong Kong dollars and Renminbi and to mature within five years. Bank borrowings of approximate HK\$682 million are fixed rate loans while the remaining balance of approximate HK\$512 million is at floating rate. The directors expect that all such bank borrowings will be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 30 June 2007, the Group had pledged the following assets to banks as securities against the banking facilities granted to the Group:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
Property, plant and equipment	509,092	484,384
Prepaid lease payments	68,871	67,973
Trade and bills receivables	223,880	162,944
Pledged bank deposits	182,172	216,565
	<u>984,015</u>	<u>931,886</u>

As at 30 June 2007, current assets of the Group amounted to approximately HK\$2,192 million (31 December 2006: HK\$1,978 million). The Group's current ratio was approximately 1.23 as at 30 June 2007 as compared with 1.00 as at 31 December 2006. At 30 June 2007, the Group had total assets of approximately HK\$4,137 million (31 December 2006: HK\$3,712 million) and total liabilities of approximately HK\$2,110 million (31 December 2006: HK\$2,401 million), representing a gearing ratio (measured as total liabilities to total assets) of 51.0% as at 30 June 2007 as compared with 64.7% as at 31 December 2006.

Use of Proceeds from Global Offering

On 4 June 2007, the Company offered for subscription under an international placing and public offer 300,000,000 ordinary shares of HK\$0.01 each at an offer price of HK\$2.75 per share (the "Share Offer"). Net proceeds from the Share Offer, after deducting the professional fees and all related expenses, amounted to approximately HK\$761 million. The net proceeds have not been used by the Company as at 30 June 2007.

Currency Exchange Exposures

The Group's purchases and sales are mainly denominated in US dollars, Hong Kong dollars and Renminbi. The operating expenses of the Group are mainly in Hong Kong dollars and Renminbi. The Group uses forward contracts to hedge the currency exchange risk as necessary.

Contingent Liabilities

At 30 June 2007 and 31 December 2006, the Group had no material contingent liabilities.

Outlook for second half of 2007

Looking ahead, the pharmaceutical market in the second half of 2007 appears prosperous, as the pharmaceutical industry is expected to experience abundant growth, in spite of the continuously rising cost pressure. Demand for bulk medicine and intermediate products is expected to rise steadily in overseas markets.

In the PRC market, promotion of the New Rural Cooperative Medical Scheme (新型農村合作醫療制度) is expected to accelerate with test points expected to be set up in 79 cities under the State Basic Medical Insurance Scheme. Potentially, enormous increase in medicine consumption is expected to emerge gradually in both urban and rural areas. Under the positive acceleration of state policy, the operation segment including research, manufacture and sales, etc. in pharmaceutical enterprise will become institutionalised and, the order of business operation in the industry will be improved. It is expected that resources will be further concentrated in more superior enterprise, result in rise of revenue.

Grasping Opportunity and Facing Challenges

Seizing the enormous opportunities in the PRC market, the Group has decided to enlarge its manufacturing efficiency in intermediate products, to further utilise the benefits of the vertically integrated production model adopted by the Group. The Group has also decided to set up a production plant in Inner Mongolia for the production of intermediate products in order to cope with the mighty growth of the PRC market expected in the future. A wholly owned subsidiary, 聯邦制藥(內蒙古)有限公司 (United Laboratories (Inner Mongolia) Co., Ltd.) to be established in Inner Mongolia Autonomous Region was approved by the PRC local government authority in July 2007 with registered capital of RMB50,000,000 which will be financed by internal generated resource.

Moreover the Group will continue to improve its product development capacity by focusing on exploitation of new products, refinement of existing production techniques as well as improvement of product quality and production efficiency; to reduce operation cost and optimise product combination; to improve sales network; and to maintain stricter cost control. The Group believes such measures will contribute to better profit making capacity, which in turn will bring more desirable revenue for the shareholders.

With the accelerated medical reform to the pharmaceutical industry undertaken by the PRC government, pharmaceutical industry will experience fine market integration with glorious prospects and enormous growth capacity. The Group will endeavour to grasp market opportunities with all the advantages stated above, and seek to be the pilot of high quality antibiotics producers with the largest scale in the PRC.

Employees and Remuneration

As at 30 June 2007, the Group had approximately 4,800 employees in Hong Kong and Mainland China. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a share option scheme of which the Directors may, at its discretion, grant options to employees of the Group. No option has been granted since the adoption of the share option scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Period.

CORPORATE GOVERNANCE

The Company is committed to ensure high standards of corporate governance in the interest of its shareholders.

The Company has adopted and complied with the code provisions as set out in the Code on Corporate Governance Practices as stated in Appendix 14 to the Listing Rules for the six months ended 30 June 2007.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the period covered by this interim report.

AUDIT COMMITTEE REVIEW

The Audit Committee consists of three independent non-executive directors, namely Messrs Heng Kwo Seng, Huang Bao Guang and Song Ming. The Audit Committee and the Company's external auditors have reviewed and discussed matters relating to internal controls and financial statement, including a review of the unaudited financial statement for the six months ended 30 June 2007.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) Mr. Choy Kam Lok, Ms. Peng Wei and Mr. Leung Wing Hon as executive directors; (2) Ms. Choy Siu Chit as a non-executive director; and (3) Messrs Heng Kwo Seng, Huang Bao Guang and Song Ming as independent non-executive directors.

On behalf of the Board

CHOY KAM LOK

Chairman

Hong Kong, 20 September 2007

** For identification only*