



和寶國際控股有限公司
Wealthmark International (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 39

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INTERIM RESULTS

The Board of Directors (the "Board") of Wealthmark International (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2006. These interim results have been reviewed by RSM Nelson Wheeler, the auditors of the Company, in accordance with the Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and by the Audit Committee of the Company, comprising the three independent non-executive directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

		(Unaudited)	
		Six months ended 30 June	
	Note	2006 HK\$'000	2005 HK\$'000 (Restated)
Revenue	3	73,396	52,328
Cost of sales		<u>(73,758)</u>	<u>(57,066)</u>
Gross loss		(362)	(4,738)
Other income		1,294	795
Distribution costs		(5,067)	(1,445)
Administrative expenses		(11,359)	(12,449)
Other operating expenses		<u>(173)</u>	<u>(75)</u>
Operating loss	4	(15,667)	(17,912)
Finance costs	5	<u>(365)</u>	<u>(1,183)</u>
Loss before taxation		(16,032)	(19,095)
Taxation credit	6	<u>770</u>	<u>1,248</u>
Loss for the period		<u>(15,262)</u>	<u>(17,847)</u>
Attributable to:			
Equity holders of the Company		(12,759)	(17,728)
Minority interests		<u>(2,503)</u>	<u>(119)</u>
		<u>(15,262)</u>	<u>(17,847)</u>
Dividend	7	–	–
Loss per share – basic	8	<u>(4.1) cents</u>	<u>(8.6) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

		(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	9	50,810	53,064
Prepaid lease payments		6,380	6,465
Goodwill		11,010	11,010
		<u>68,200</u>	<u>70,539</u>
Current assets			
Inventories		19,063	20,918
Trade and other receivables	10	24,554	20,686
Amount due from a fellow subsidiary		–	511
Tax recoverable		2,021	2,021
Bank balances and cash		17,359	27,472
		<u>62,997</u>	<u>71,608</u>
Total assets		<u>131,197</u>	<u>142,147</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	33,200	30,000
Accumulated losses		(108,819)	(96,060)
Other reserves		89,191	75,314
		<u>13,572</u>	9,254
Minority interests		<u>15,162</u>	17,464
Total equity		<u>28,734</u>	<u>26,718</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

		(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
LIABILITIES			
Non-current liabilities			
Amount due to immediate holding company		69,649	69,543
Deferred tax liabilities		291	290
		<u>69,940</u>	<u>69,833</u>
Current liabilities			
Trade and other payables	12	27,908	27,899
Amount due to a minority shareholder of a subsidiary		85	2,398
Short-term borrowings		1	10,001
Provision for taxation		4,529	5,298
		<u>32,523</u>	<u>45,596</u>
Total liabilities		<u>102,463</u>	<u>115,429</u>
Total equity and liabilities		<u>131,197</u>	<u>142,147</u>
Net current assets		<u>30,474</u>	<u>26,012</u>
Total assets less current liabilities		<u>98,674</u>	<u>96,551</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2006

(Unaudited)

	Attributable to equity holders of the Company									
	Share capital (note 11) HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Merger reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2005	20,000	27,645	434	2,150	2,223	202	(68,971)	(16,317)	119	(16,198)
Loss for the period	-	-	-	-	-	-	(17,728)	(17,728)	(119)	(17,847)
At 30 June 2005	20,000	27,645	434	2,150	2,223	202	(86,699)	(34,045)	-	(34,045)
At 1 January 2006	30,000	70,342	434	2,150	2,223	165	(96,060)	9,254	17,464	26,718
Issue of shares	3,200	14,080	-	-	-	-	-	17,280	-	17,280
Share issue expenses	-	(590)	-	-	-	-	-	(590)	-	(590)
Currency translation differences	-	-	-	-	-	387	-	387	201	588
Loss for the period	-	-	-	-	-	-	(12,759)	(12,759)	(2,503)	(15,262)
At 30 June 2006	33,200	83,832	434	2,150	2,223	552	(108,819)	13,572	15,162	28,734

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(13,177)	581
Net cash used in investing activities	(2,008)	(684)
Net cash generated from/(used in) financing activities	4,377	(5,132)
Net decrease in cash and cash equivalents	(10,808)	(5,235)
Cash and cash equivalents at 1 January	27,471	11,393
Exchange gains on cash and cash equivalents	695	–
Cash and cash equivalents at 30 June	17,358	6,158
Analysis of balances of cash and cash equivalents		
Bank balances and cash	17,359	6,160
Bank overdrafts	(1)	(2)
	17,358	6,158

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2005 annual financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods commencing on or after 1 January 2006. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

At 30 June 2006, certain new or revised standards or interpretations of HKFRSs were in issue but not yet effective. The Group has started considering the potential impact of these HKFRSs. Based on the preliminary assessment, the Group expects that the adoption of these HKFRSs, if applicable, will not result in substantial changes to the Group's accounting policies.

3. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

3. SEGMENT INFORMATION (Continued)

(i) Business segments

An analysis of the Group's revenue and results for the period by business segment is as follows:

	(Unaudited)			
	Six months ended 30 June 2006			
	Handbag products and related accessories HK\$'000	Garments HK\$'000	Dairy products HK\$'000	Group HK\$'000
Revenue	64,040	1,926	7,430	73,396
Segment results	3,318	(967)	(2,713)	(362)
Other income				1,294
Unallocated costs				(16,599)
Operating loss				(15,667)
Finance costs				(365)
Loss before taxation				(16,032)
Taxation credit				770
Loss for the period				15,262

3. SEGMENT INFORMATION (Continued)

(i) Business segments (Continued)

	(Unaudited)			
	Six months ended 30 June 2005			
	Handbag products and related accessories HK\$'000	Garments HK\$'000	Dairy products HK\$'000	Group HK\$'000
Revenue	50,446	1,882	–	52,328
Segment results	(2,630)	(2,108)	–	(4,738)
Other income				795
Unallocated costs				(13,969)
Operating loss				(17,912)
Finance costs				(1,183)
Loss before taxation				(19,095)
Taxation credit				1,248
Loss for the period				(17,847)

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

3. SEGMENT INFORMATION (Continued)

(ii) Geographical segments

An analysis of the Group's revenue and results for the period by geographical segment is as follows:

	(Unaudited)			
	Revenue		Segment results	
	Six months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	17,348	29,892	205	(1,163)
Europe	18,407	2,588	2,057	(106)
People's Republic of China ("PRC")	37,641	17,966	(2,624)	(1,361)
Asian region except the PRC	–	1,882	–	(2,108)
	<u>73,396</u>	<u>52,328</u>	<u>(362)</u>	<u>(4,738)</u>

Sales or transactions between the geographical segments are eliminated on presentation of segment information of the Group.

4. OPERATING LOSS

The Group's operating loss has been arrived at after charging the following:

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Depreciation	4,808	3,712
Amortisation of prepaid lease payments	85	85
Staff costs (including Directors' emoluments)	17,329	14,804
Cost of inventories sold	48,854	37,436
Property, plant and equipment written off	<u>121</u>	<u>12</u>

5. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	–	1,180
Interest on other loan wholly repayable within 5 years	365	–
Interest element of finance leases	–	3
	<u>365</u>	<u>1,183</u>

6. TAXATION

The amount of taxation charged/(credited) to the consolidated income statement represents:

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Overseas taxation		
Current period	19	–
Overprovision in prior years	(789)	(1,248)
	<u>(770)</u>	<u>(1,248)</u>
Taxation credit	<u>(770)</u>	<u>(1,248)</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the period (2005: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the subsidiaries operate.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

8. LOSS PER SHARE

The calculation of loss per share is based on the Group's loss attributable to equity holders of the Company of approximately HK\$12,759,000 (2005: HK\$17,728,000) and the weighted average of 309,104,972 ordinary shares (2005: 206,896,552 ordinary shares after adjusting for the rights issue in 2005) in issue during the period.

Diluted loss per share for the periods ended 30 June 2006 and 2005 were not disclosed as there were no dilutive potential ordinary shares.

9. CAPITAL EXPENDITURE

Additions to property, plant and equipment during the period amounted to approximately HK\$2,126,000.

10. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Trade receivables	22,719	19,428
Less: Allowance for impairment of receivables	(2,934)	(2,934)
	<hr/>	<hr/>
Trade receivables, net	19,785	16,494
Prepayments, deposits and other receivables	4,769	4,192
	<hr/>	<hr/>
	24,554	20,686
	<hr/>	<hr/>

Customers are generally granted credit terms of 30 to 120 days. At 30 June 2006, the ageing analysis of the trade receivables, net of allowance for impairment of receivables was as follows:

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Current to 30 days	11,747	8,596
31 to 60 days	6,965	3,972
61 to 90 days	711	1,194
Over 90 days	362	2,732
	<hr/>	<hr/>
	19,785	16,494
	<hr/>	<hr/>

11. SHARE CAPITAL

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Authorised:		
1,000,000,000 (31 December 2005: 1,000,000,000) ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
332,000,000 (31 December 2005: 300,000,000) ordinary shares of HK\$0.1 each	<u>33,200</u>	<u>30,000</u>

A summary of the movements in the issued share capital of the Company during the period is as follows:

	(Unaudited) Number of ordinary shares in issue '000	Issued share capital HK\$'000
At 1 January 2006	300,000	30,000
Shares issued on 21 April 2006 (note (a))	20,000	2,000
Shares issued on 12 June 2006 (note (b))	<u>12,000</u>	<u>1,200</u>
At 30 June 2006	<u>332,000</u>	<u>33,200</u>

Notes:

- (a) On 21 April 2006, 20,000,000 new shares of HK\$0.1 each were issued at HK\$0.54 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK\$10,429,000 have been and will be used for the Group's general working capital purposes.
- (b) On 12 June 2006, 12,000,000 new shares of HK\$0.1 each were issued at HK\$0.54 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK\$6,261,000 have been and will be used for the Group's general working capital purposes.

12. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Trade payables	4,783	2,972
Other payables	23,125	24,927
	<u>27,908</u>	<u>27,899</u>

At 30 June 2006, the ageing analysis of the trade payables was as follows:

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Current to 30 days	4,179	2,389
31 to 60 days	181	303
61 to 90 days	79	1
Over 90 days	344	279
	<u>4,783</u>	<u>2,972</u>

13. RELATED PARTY TRANSACTIONS

In the normal course of business, the Group entered into the following transactions with its related parties during the period:

	(Unaudited) Six months ended 30 June 2006 HK\$'000	2005 HK\$'000
Rental paid to a related company	<u>180</u>	<u>–</u>

14. CAPITAL COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	(Unaudited)	(Audited)
	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
Property, plant and equipment		
Contracted but not provided for	<u>1,651</u>	<u>1,548</u>

INDEPENDENT REVIEW REPORT OF THE AUDITORS

**TO THE BOARD OF DIRECTORS OF
WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 2 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the HKICPA. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 19 September 2006

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the six months ended 30 June 2006 (the "Period"), the Group's turnover was approximately HK\$73.4 million, representing an increase of 40.3% over the corresponding period last year. Loss attributable to equity holders of the Company was approximately HK\$12.8 million, representing a decrease of 28.0% over the corresponding period last year. Loss per share for the Period was HK\$4.1 cents (2005: HK\$8.6 cents as restated).

The substantial increase in turnover during the Period was mainly attributable to contributions from the dairy company acquired in late 2005 and the recovery of the handbag products segment. The performance of the handbag products segment, garments segment and dairy products segment during the Period is set out below.

During the Period, handbag products segment and garments segment continued its recovery and remained the core business of the Group. Handbag products segment recorded a turnover of approximately HK\$64.0 million, up 26.9% over the corresponding period last year and accounted for 87.3% of the total turnover. Gross profit was approximately HK\$3.3 million as opposed to gross loss of approximately HK\$2.6 million of the corresponding period last year. Garments segment recorded a turnover of approximately HK\$1.9 million, up 2.3% over the corresponding period last year and accounted for 2.6% of the total turnover. The Group will continue to tighten controls on operating costs, aiming to enhance operational efficiency and competitiveness and thus further improve business performance.

The Group completed the acquisition of a dairy company in mid December 2005. The operation of the dairy company was ceased before the acquisition and has been restarted in late December 2005. During the Period, dairy products segment recorded a turnover of approximately HK\$7.4 million and accounted for 10.1% of the total turnover. At present, the main product of this segment is yogurt. As the Group was still in a preliminary investment stage in dairy market, it had yet to enjoy the benefits from scale of operation. The Group will continue to strengthen its market promotion and invest in packaging facilities. Leveraging on our management's experience and expertise in the PRC food and beverage industry, the Group expects that the segment will contribute a stable income stream to the Group.

PROSPECTS

With the implementation of ongoing stringent cost control measures, the Group will endeavor to narrow the loss for the whole year. Looking forward, apart from strengthening the Group's existing business and improving its efficiency, the Company will also actively seek investment opportunities to further develop the Group's business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position has been further improved during the Period. During the Period, the Company raised approximately HK\$16.7 million from two top-up placings. On 21 April 2006, the Company raised net proceeds of approximately HK\$10.4 million by way of a top-up placing of 20,000,000 shares at HK\$0.54 each. On 12 June 2006, the Company raised net proceeds of approximately HK\$6.3 million by way of a top-up placing of 12,000,000 shares at HK\$0.54 each.

As at 30 June 2006, the Group has net current assets of approximately HK\$30.5 million (31 December 2005: HK\$26.0 million) and capital and reserves attributable to equity holders of the Company of approximately HK\$13.6 million (31 December 2005: HK\$9.3 million). The increase was mainly attributable to the net proceeds raised from the two top-up placings. Cash and bank balances amounted to approximately HK\$17.4 million as at 30 June 2006 (31 December 2005: HK\$27.5 million).

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

CAPITAL STRUCTURE AND USE OF PROCEEDS

During the Period, the issued share capital of the Company increased by 32,000,000 shares to 332,000,000 shares as a result of top-up placings in April 2006 and June 2006. The net proceeds of approximately HK\$16.7 million have been and will be used for the Group's general working capital.

Except for a shareholder's loan of approximately HK\$69.6 million, the Group had no other borrowings as at 30 June 2006. The gearing ratio of the Group, calculated as total debts divided by total assets, was approximately 53.1% as at 30 June 2006. If the shareholder's loan was excluded, the gearing ratio was zero.

CHARGE ON ASSETS

As at 30 June 2006, there was no charge on the Group's assets (31 December 2005: Nil).

CONTINGENT LIABILITIES

As at 30 June 2006, the Group had no material contingent liabilities (31 December 2005: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2006, the Group had approximately 2,088 (2005: 2,319) employees with total staff costs amounted to approximately HK\$17.3 million (2005: HK\$14.8 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

OTHER INFORMATION

DIRECTORS

The directors of the Company during the period were:

Executive directors:

Mr. Lo Peter

Mr. Sun David Lee

Mr. Li Wentao

(re-designated as executive director from
non-executive director on 26 May 2006)

Mr. Au Peter Jeva

(resigned on 1 January 2006)

Non-executive directors:

Mr. Yeung Derek Emory Ting-Lap

Mr. Greer Thomas

(resigned on 1 January 2006)

Mr. Chau Wai-Kau

(retired on 26 May 2006)

Independent non-executive directors:

Dr. Loke Yu

Dr. Leung Kwan-Kwok

Mr. Zuchowski Sam

Subsequent to the balance sheet date, on 18 July 2006, Mr. Fu Hui was appointed as executive director of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, none of the directors or chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted by the shareholders of the Company by way of written resolution passed on 29 December 2000. The Scheme was no longer in compliance with the amended Chapter 17 of the Listing Rules which came into effect on 1 September 2001. The directors will consider to amend the Scheme or to terminate the Scheme and adopt a new share option scheme. The Company had no share options in issue during the period and up to the date of this report.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of ordinary shares held	Percentage of the Company's issued share capital
Orientalite Investments Limited (<i>Note</i>)	195,000,000	58.7
China Enterprise Capital Limited (<i>Note</i>)	195,000,000	58.7

Note:

Orientalite Investments Limited is wholly owned by China Enterprise Capital Limited. Hence, China Enterprise Capital Limited is deemed to have an interest in the shares in which Orientalite Investments Limited is interested under the SFO.

Save as disclosed above, as at 30 June 2006, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded 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 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code on ethics and securities transactions, which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to the compliance with the code. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the code on ethics and securities transactions throughout the six months ended 30 June 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006.

On behalf of the Board

Peter Lo
Chairman

Hong Kong, 19 September 2006