

Willie International Holdings Limited

(Incorporated in Hong Kong with limited liability)

Listed Since 1972 Stock Code : 273

2006 Interim Report



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Chuang Yueheng, Henry (*Chairman*)
King Phillip (*Managing Director*)
Lo Kan Sun (*Chief Operating Officer*)
Wong Ying Seung, Asiong
Wang Lin

Independent Non-Executive Directors

Miu Frank H.
Nakajima Toshiharu
Lin Wai Yi
Liu Jian
Shum Ming Choy

Alternate Director

Lee Kwan Ching
(Alternate Director to Mr. Lo Kan Sun)

PRINCIPAL BANKERS

Liu Chong Hing Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

SECRETARY

Yung Mei Yee

QUALIFIED ACCOUNTANT

Lee Kwan Ching

AUDITORS

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

REGISTERED OFFICE

32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shop 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

INTERNET ADDRESS

<http://www.willie273.com>

RESULTS

The Board of Directors of Willie International Holdings Limited (the "Company") would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 (the "Period"), together with the comparative figures for the six months ended 30 June 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

		Unaudited	
		Six months ended	
		30 June	
		2006	2005
	Note	HK\$'000	HK\$'000
Turnover	2	159,697	72,479
Other income	2	806	8,332
Cost of investments held for trading sold		(159,627)	(81,217)
Depreciation expense		(529)	(606)
Employee benefits expense		(4,476)	(4,637)
Other operating expenses		(15,362)	(17,989)
Profit on disposal of an unlisted investment		—	20,528
(Loss) Profit on disposal of interests in subsidiaries		(143)	6,031
Loss on disposal of amount due from an associate	6(b)(ii)	(31,000)	—
Impairment loss on amount due from an associate		—	(15,738)
Profit on deemed disposal of interest in an associate		8,429	1,405
Loss on deemed acquisition of interest in an associate		—	(13,331)
Share of profit (loss) of associates		1,066	(41,864)
Finance costs		(1,294)	(4,736)
		<hr/>	<hr/>
Loss before taxation	3	(42,433)	(71,343)
Taxation	4	—	—
		<hr/>	<hr/>
Loss attributable to equity holders		(42,433)	(71,343)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share — Basic	5	HK\$(0.013)	HK\$(0.038)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Opening balance – Total equity at 1 January (audited)	311,567	91,451
Issue of new shares, net of expenses	66,150	45,298
Issue of shares on exercise of warrants	—	1,867
Issue of shares on conversion of convertible notes	—	100,000
Issue of shares under share option scheme	51,297	25,810
Change in fair value of convertible notes	—	27,862
Share-based payment	2,440	—
Loss for the period	(42,433)	(71,343)
Closing balance – Total equity at 30 June (unaudited)	389,021	220,945

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006 and 31 December 2005

		Unaudited At 30 June 2006 HK\$'000	Audited At 31 December 2005 HK\$'000
	<i>Note</i>		
Non-current assets			
Investment properties		6,630	9,650
Property, plant and equipment		22,257	22,391
Interests in associates	6	178,194	238,549
Other financial asset		—	7,143
		207,081	277,733
Current assets			
Investments held for trading		92,920	13,626
Loans receivable	7	93,651	40,280
Other receivables		26,031	1,138
Cash and cash equivalents		2,603	11,420
		215,205	66,464
Current liabilities			
Other payables		6,832	14,231
Current portion of interest-bearing borrowings		14,621	4,629
		21,453	18,860
Net current assets		193,752	47,604
Total assets less current liabilities		400,833	325,337
Non-current liabilities			
Long-term interest-bearing borrowings		11,812	13,770
Net assets		389,021	311,567
Capital and reserves			
Share capital	8	342,149	303,209
Reserves	10	46,872	8,358
Total equity		389,021	311,567

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Unaudited	
	For the six months ended	
	30 June	
	2006	2005
	HK\$'000	HK\$'000
Net cash used in operating activities	(157,178)	(40,886)
Net cash from (used in) investing activities	89,036	(445)
Net cash from financing activities	59,325	31,893
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(8,817)	(9,438)
Cash and cash equivalents at beginning of period	11,420	10,663
	<hr/>	<hr/>
Cash and cash equivalents at end of period	2,603	1,225
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards ("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 of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements of the Group. They have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective or available for early adoption for the accounting periods beginning on or after 1 January 2006. In 2006, the Group has adopted the following new HKFRSs pertinent to its operations. The adoption of the new HKFRSs has no material effect on the Group's results and financial position for the current or prior periods.

- Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 4 Insurance Contracts — Financial Guarantee Contracts

2. TURNOVER AND SEGMENT INFORMATION

The analysis of the Group's revenue and results by business segments are as follows:

Six months ended 30 June 2006 (unaudited)

	Trading of investments HK\$'000	Provision of financial services HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment revenue						
Turnover	153,067	4,680	22	1,928	—	159,697
Other income	801	5	—	—	—	806
	<u>153,868</u>	<u>4,685</u>	<u>22</u>	<u>1,928</u>	<u>—</u>	<u>160,503</u>
Segment results	(13,315)	4,662	(542)	(2,845)	(7,451)	(19,491)
Loss on disposal of interests in subsidiaries						(143)
Loss on disposal of amount due from an associate						(31,000)
Profit on deemed disposal of interest in an associate						8,429
Share of profit of associates	300	2,956	—	(2,154)	(36)	1,066
Finance costs						(1,294)
						<u>(42,433)</u>
Loss attributable to equity holders						<u>(42,433)</u>

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Six months ended 30 June 2005 (unaudited)

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Turnover	65,407	6,980	92	—	—	72,479
Other income	—	5,050	—	1,754	1,528	8,332
	<u>65,407</u>	<u>12,030</u>	<u>92</u>	<u>1,754</u>	<u>1,528</u>	<u>80,811</u>
Segment results	(26,249)	4,738	(359)	(3,222)	1,454	(23,638)
Profit on disposal of an unlisted investment						20,528
Profit on disposal of interests in subsidiaries						6,031
Impairment loss on amount due from an associate						(15,738)
Profit on deemed disposal of interest in an associate						1,405
Loss on deemed acquisition of interest in an associate						(13,331)
Share of loss of an associate	(1,876)	(44,143)	—	2,893	1,262	(41,864)
Finance costs						(4,736)
						<u>(71,343)</u>
Loss attributable to equity holders						<u>(71,343)</u>

3. LOSS BEFORE TAXATION

Unaudited	
For the six months ended	
30 June	
2006	2005
HK\$'000	HK\$'000

This is stated after charging (crediting):

Net unrealised holding loss on investments held for trading	7,551	10,367
Write back of provision for bad and doubtful debts	—	(5,050)
Loss on disposal of investment properties	490	162
Loss (Profit) on disposal of property, plant and equipment	199	(122)
Share-based payment	2,440	—
	<u><u>2,440</u></u>	<u><u>—</u></u>

4. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 30 June 2006 as well as the corresponding period in 2005.

5. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the Period of HK\$42,433,000 (2005: HK\$71,343,000) and on the weighted average number of shares of 3,294,826,535 (2005: 1,888,379,793 shares) in issue during the Period.

No diluted loss per share was presented as there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares and, for the same reason, no comparative figure were presented.

6. INTERESTS IN ASSOCIATES

		Unaudited	Audited
		At 30 June	At 31 December
		2006	2005
	Note	HK\$'000	HK\$'000
Share of net assets	(a)	67,408	32,549
Goodwill	(e)	110,786	—
		178,194	32,549
Due from an associate — convertible note receivable from HMIL	(b)	—	131,000
Due from an associate — Found Macau Loan	(c)	—	75,000
		178,194	238,549

Notes:-

- (a) Interests in associates represented the Group's (i) 35.55% interest in Hennabun Management International Limited ("HMIL"); (ii) 50% interest in Amerinvest Coal Industry Holding Company Limited ("Amerinvest").
- (b) (i) During the Period, the Group's interest in HMIL was reduced from 49.87% to 35.55% because HMIL issued new shares to third parties.
- (ii) On 21 April 2006, the Group entered into the agreement with a third party to dispose of HMIL's convertible note at the cash consideration of HK\$100 million. Accordingly, a loss of HK\$31 million on disposal of amount due from an associate was recognised in the income statement.
- (c) On 13 January 2006, the Group entered into an agreement with a third party to dispose of the Group's 29.7% equity investment in Found Macau Investments International Limited ("Found Macau") together with a shareholder loan of HK\$150 million to Found Macau ("Found Macau Loan") at the cash consideration of HK\$75 million.
- (d) On 12 January 2006, the Group entered into an agreement with a third party to acquire 25% interest in Amerinvest at a consideration of HK\$66.25 million which had been satisfied by the issue and allotment of 250,000,000 ordinary shares of HK\$0.1 each of the Company at a price of HK\$0.265 per share. Amerinvest, through holding of 25% of the registered capital of West China Coking & Gas Company Limited ("West China Coking"), is an investment holding vehicle set up for the purpose of exploring and investing in coking and chemical projects in the Mainland China. West China Coking is accounted for as an associate of Amerinvest.

6. INTERESTS IN ASSOCIATES (Continued)

(d) (Continued)

On 20 March 2006, the Company entered into an agreement with another third party to acquire a further 25% interest in Amerinvest at a consideration of HK\$69.9 million. On completion of the acquisitions in March 2006, Amerinvest was accounted for as an associate of the Group.

For equity accounting purposes, Amerinvest's share of results and net assets of West China Coking is based on West China Coking's financial statements prepared in accordance with accounting principles generally accepted in the PRC.

(e) Details of net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration:	
Cash paid	69,900
Issue of new shares	66,250
	<hr/>
	136,150
Less: Carrying value of net assets acquired	(25,364)
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Goodwill on acquisition	110,786
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Goodwill on acquisition is mainly attributable to Amerinvest's associate, West China Coking, which has strong business results and prospects in the exploring and investing in coking and chemical projects in the Mainland China.

(f) Details of the financial position of Amerinvest based on unaudited financial statements at the acquisition date are as follows:

	Carrying value HK\$'000
Interest in an associate	50,698
Bank balances	2,068
Other payables	(2,038)
	<hr/>
Net assets	50,728
	<hr/> <hr/>
Net assets acquired by the Group	25,364
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7. LOANS RECEIVABLE

Loans granted to borrowers are repayable according to set maturity dates. The balance comprises loans receivable from:

		Unaudited	Audited
		At 30 June	At 31 December
		2006	2005
	Note	HK\$'000	HK\$'000
Related party	13(c)	15,062	—
Third parties		78,589	40,280
		93,651	40,280

An aging analysis of loans receivable as at the balance sheet date is set out below:

	Unaudited	Audited
	At 30 June	At 31 December
	2006	2005
	HK\$'000	HK\$'000
Within maturity dates	93,651	40,280

8. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
At beginning of Period and at balance sheet date	20,000,000,000	2,000,000
Issued and fully paid:		
At beginning of Period (audited)	3,032,086,353	303,209
Issuance of shares	(i) 250,000,000	25,000
Issuance of shares under share option scheme	(ii) 139,408,635	13,940
At balance sheet date (unaudited)	3,421,494,988	342,149

Notes:-

- (i) Pursuant to the sale and purchase agreement dated 12 January 2006, 250,000,000 ordinary shares of HK\$0.1 each of the Company were issued to acquire 25% equity interests in Amerinvest as set out in note 6(d).
- (ii) Pursuant to the ordinary resolutions passed during the Period, an aggregate of 139,408,635 ordinary shares of HK\$0.1 each of the Company were issued to certain individuals under the share option scheme at the exercise price ranged from HK\$0.330 to HK\$0.431 each.

All these shares issued during the Period rank pari passu in all respects with the then existing shares.

9. SHARE OPTION SCHEME

Movements in the number of share options outstanding are as follows:

	Note	Unaudited	
		Six months ended 30 June	
		2006	2005
At the beginning of Period (audited)		—	—
Granted	9(i)	219,408,635	137,358,374
Exercised	8(ii)	(139,408,635)	(137,358,374)
At balance sheet date (unaudited)	9(ii)	80,000,000	—

Notes:-

- (i) During the Period, an aggregate of 219,408,635 share options were granted to certain individuals under the share option scheme. The exercise prices of the granted options ranged from HK\$0.330 to HK\$0.431 and the closing prices of the shares of the Company immediately before the dates of grant ranged from HK\$0.335 to HK\$0.435. An aggregate of 139,408,635 shares were exercised immediately after the grant and the remaining 80,000,000 share options were outstanding at the end of the Period.
- (ii) Subsequent to the balance sheet date, all the 80,000,000 outstanding share options had been surrendered by option holders and were cancelled by the Company following the board resolution passed on 1 August 2006.

10. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006 (audited)	210,046	18,273	—	(219,961)	8,358
Shares issued at premium, net of issuing expenses	41,150	—	—	—	41,150
Share-based payment	—	—	2,440	—	2,440
Shares issued under share option scheme	38,965	—	(1,608)	—	37,357
Loss for the Period	—	—	—	(42,433)	(42,433)
At 30 June 2006 (unaudited)	290,161	18,273	832	(262,394)	46,872

11. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK\$38,000,000 (31 December 2005: HK\$38,000,000) and HK\$30,000,000 (31 December 2005: HK\$30,000,000) for banking facilities granted to subsidiaries and an associate respectively, which were utilised by subsidiaries and an associate to the extent of HK\$16,434,000 (31 December 2005: HK\$18,399,000) and HK\$22,886,000 (31 December 2005: HK\$21,425,000) respectively.

12. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying values have been pledged to secure general banking facilities granted to the Group:

	Unaudited	Audited
	At 30 June	At 31 December
	2006	2005
	HK\$'000	HK\$'000
Land and buildings	20,861	21,190
Investment properties	6,630	9,650
	<u>27,491</u>	<u>30,840</u>

13. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the following related party transactions were entered into by the Group during the Period:-

- (a) A property of the Group with net book value of HK\$20,861,000 (At 31 December 2005: HK\$21,190,000) is occupied by a brother of a director of the Company free of rental. The director's brother is a director of certain companies within the HMIL Group.
- (b) During the six months ended 30 June 2006, HMIL Group granted securities margin loans to directors of the Company with outstanding balance amounted to HK\$10,130,000 (At 31 December 2005: HK\$6,275,000). The loans carried interest at 10% per annum and repayable on demand. There was neither any interest due but unpaid nor any provision made against these loans at the balance sheet date.
- (c) The Group has granted unsecured loan to a subsidiary of HMIL Group. At the balance sheet date, the outstanding principal amounted to HK\$15,000,000 (At 31 December 2005: Nil) and carried interest at prime rate per annum.

INTERIM DIVIDEND

The Board of directors does not recommend any interim dividend for the six months ended 30 June 2006 (2005: Nil).

BUSINESS REVIEW AND PROSPECTS

Results

Turnover for the six months ended 30 June 2006 amounted to HK\$159.7 million, an increase of 120.3% when compared with HK\$72.5 million for the corresponding period last year. The increase in turnover was mainly attributable to the increase in the sale of listed investments during the Period. Loss attributable to equity holders for the Period was HK\$42.4 million compared with a loss of HK\$71.3 million for the corresponding period last year. Loss per share for the Period was HK\$0.013 compared with HK\$0.038 for the corresponding period last year.

Review

We entered 2005 as a company that is both financially and fundamentally stronger. We have adhered to our strategy of employing a less aggressive approach and investing or concentrating our efforts in medium term projects with potential for future growth. We believe that the investment public has received our message and changed its perception of the Company accordingly.

The Directors consider the energy sector as a major and critical development in China and an area with tremendous growth potential. With that in mind, towards the end of fiscal 2005, the Group started negotiation with Mr. Wang Sing for the acquisition of 25% of Amerinvest, a company involved in the West China Coking Project in the Yunnan province in China. In March 2006, the Group acquired an additional 25% of Amerinvest thus making Mr. Wang Sing an equal partner of the Group.

During the first half of the fiscal 2006, much of the Company's effort has been placed in the development of a core business, namely, the energy related business and more specifically, the West China Coking Project. In order to concentrate on this core business, we have further streamlined the Company. In April, the Group sold its interest in Tianjin Kai Sheng Automobile Services Co., Ltd and recorded a loss on disposal of approximately HK\$0.14 million. In May, the Group reduced its interest in HMIL by selling its holding of HMIL 8% convertible note and recorded a loss on disposal of approximately HK\$31 million. Both transactions provided the Group with additional working capital.

Liquidity and Capital Resources

During the Period, the Company has granted an aggregate of 219,408,635 share options and issued 139,408,635 new shares upon the partial exercise of the share options raising an additional equity of approximately HK\$51.3 million. The remaining 80,000,000 share options were subsequently surrendered by option holders for cancellation on 1 August 2006. Furthermore, the Company has issued 250,000,000 new shares to satisfy the acquisition cost of HK\$66.25 million for the investment in the initial 25% shareholding in Amerinvest.

As at 30 June 2006, the Group's total equity amounted to HK\$389.0 million as compared with HK\$311.6 million at 31 December 2005. As at 30 June 2006, the Group had net current assets of HK\$193.8 million including cash and cash equivalents of HK\$2.6 million as compared with HK\$47.6 million including cash and cash equivalents of HK\$11.4 million at 31 December 2005. The Group continued to closely monitor its equity-debt structure and maintained a relatively low gearing ratio of 6.8% (computed on the basis of total borrowings to total equity) and current ratio of 10.03 times at 30 June 2006 as compared to 5.9% and 3.52 times respectively at 31 December 2005.

As at 30 June 2006, the Group had bank and other borrowings amounted to HK\$26.4 million (31 December 2005: HK\$18.4 million). Of the Group's bank and other borrowings of HK\$26.4 million, 55.3%, 8.3%, 26.7%, 9.7% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carrying interest rates were calculated with reference to prime rate and denominated in Hong Kong dollars. The Group did not have any financial instruments used for hedging purpose.

As most of the Group's transactions and bank balances were denominated in Hong Kong dollars, the Group's exposure to foreign exchange risk was minimal.

Pledge of Assets

As at 30 June 2006, certain assets of the Group with an aggregate carrying value of HK\$27.5 million (31 December 2005: HK\$30.8 million) have been pledged to a bank to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2006, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK\$38 million (31 December 2005: HK\$38 million) and HK\$30 million (31 December 2005: HK\$30 million) for banking facilities granted to subsidiaries and an associate respectively, which were utilised by subsidiaries and an associate to the extent of HK\$16.4 million (31 December 2005: HK\$18.4 million) and HK\$22.9 million (31 December 2005: HK\$21.4 million) respectively.

Employees

As at 30 June 2006, the Group employed a total of 24 employees. The Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include a medical insurance coverage, provident fund and a share option scheme.

Prospects

The West China Coking Project consists of three phases of development. The initial phase has been completed and is currently in operation. The development of the second and third phase is capital intensive. The Company and Mr. Wang Sing have been talking to investors and fund managers regarding investing in the project. It is possible that the Group's investment in Amerinvest will be diluted by outside investors.

Although interest rate and inflation have been rising, the economies in Hong Kong and China remain upbeat. The Group has a healthy balance sheet with financial liquidity and virtually no operational debt. While the Directors are working on the West China Coking Project, we continue to work with our associates and network of investment partners in identifying and evaluating projects that may be of interest. We will continue to focus our human and financial resources towards our growth plan.

DIRECTORS AND DIRECTORS' EMOLUMENTS

Mr. Wang Lin has been appointed as the Executive Director of the Company with effect from 3 May 2006. Mr. Liu Jian and Mr. Shum Ming Choy have been appointed as the Independent Non-executive Directors of the Company with effect from 24 January 2006 and 1 August 2006 respectively. Ms. Lee Kwan Ching has been appointed as the Alternate Director to Mr. Lo Kan Sun with effect from 24 January 2006.

Mr. Wang Lin is entitled to a director's fee of HK\$20,000 per month. Mr. Liu Jian is entitled to a director's fee of HK\$10,000 per month. Mr. Shum Ming Choy is entitled to a director's fee of HK\$10,000 per month. Ms. Lee Kwan Ching did not receive any director's fee.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2006, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register maintained under section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Director	Number of ordinary shares of HK\$0.10 each held in the Company			Percentage of the issued share capital of the Company
	Personal interests	Family interests	Total interests	
Wong Ying Seung, Asiong	78,948,000	—	78,948,000	2.31

Save as disclosed herein, as at 30 June 2006, none of the directors or chief executive of the Company had any interest and short position in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), the Model Code for Securities Transactions by Directors or Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

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

As at 30 June 2006, the following shareholders had interests of 5% or more of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

Name	Number of ordinary shares of HK\$0.10 each held in the Company	Percentage of the issued share capital of the Company
Heritage International Holdings Limited (Note)	628,360,000	18.37
Radford Capital Investment Limited (Note)	182,959,363	5.35
Wang Sing	250,000,000	7.40

Note: Heritage International Holdings Limited (Stock code: 412) and Radford Capital Investment Limited (Stock code: 901) are public shareholders, within the meaning of the Listing Rules.

Save as disclosed herein, as at 30 June 2006, the Company was not notified of any interests in more than 5% of the issued share capital of the Company as recorded in the register maintained under section 336 of the SFO, and no person was interested in or had a short position in the shares or underlying shares which would fall to be disclosed to the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Period.

AUDIT COMMITTEE

The Audit Committee, comprising four independent non-executive directors, Mr. Miu Frank H., Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Shum Ming Choy. The Audit Committee meets with the Group's management regularly to review the accounting principles and practices adopted by the Group, the effectiveness of the internal control systems and the interim and annual reports of the Company. The Audit Committee has reviewed the Group's unaudited interim results for the Period.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors of the Company confirmed that they had complied with the required standard as set out in the Model Code throughout the Period.

APPRECIATION

We would like to welcome Mr. Wang Lin and Mr. Shum Ming Choy to our Board. We would like to recognise the contributions of Mr. Lam Ping Cheung for his service to the Board of Directors. On behalf of the Board, we would like to thank our partners, employees, and shareholders for their continued confidence and support.

By order of the Board
Chuang Yueheng, Henry
Chairman

Hong Kong, 15 September 2006