



## **KAM HING INTERNATIONAL HOLDINGS LIMITED**

**錦興國際控股有限公司**

*(a company incorporated in the Cayman Islands with limited liability)*

**(Stock Code : 2307)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007**

#### **KEY HIGHLIGHTS**

The board (the “Board”) of directors (the “Directors”) of Kam Hing 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 2007 (the “Period”). The interim results are unaudited, and have been reviewed by the audit committee of the Company.

Comparing with the six months ended 30 June 2006,

- Revenue for the Period increased by approximately 19.5% to approximately HK\$1,070.5 million;
- Gross profit for the Period increased by approximately 22.3% to approximately HK\$222.2 million; and
- Net profit attributable to shareholders for the Period increased by approximately 11.2% to approximately HK\$63.7 million.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2007

	<i>Notes</i>	<b>Six months ended 30 June 2007 HK\$'000 (Unaudited)</b>	<b>Six months ended 30 June 2006 HK\$'000 (Unaudited)</b>
<b>REVENUE</b>	3	<b>1,070,513</b>	895,632
Cost of sales		<b>(848,266)</b>	(713,840)
Gross profit		<b>222,247</b>	181,792
Other income	3	<b>9,367</b>	3,771
Selling and distribution costs		<b>(53,512)</b>	(45,467)
Administrative expenses		<b>(80,711)</b>	(64,736)
Other operating income/(expenses), net		<b>(3,822)</b>	8,604
Finance costs		<b>(22,655)</b>	(19,010)
<b>PROFIT BEFORE TAX</b>	4	<b>70,914</b>	64,954
Tax	5	<b>(7,307)</b>	(7,718)
<b>PROFIT FOR THE PERIOD</b>		<b><u>63,607</u></b>	<b><u>57,236</u></b>
Attributable to:			
Equity holders of the Company		<b>63,667</b>	57,236
Minority interests		<b>(60)</b>	–
		<b><u>63,607</u></b>	<b><u>57,236</u></b>
Interim dividend	6	<b><u>Nil</u></b>	<b><u>Nil</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic	7	<b><u>9.9 cents</u></b>	<b><u>8.9 cents</u></b>
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

		<b>30 June 2007</b>	31 December 2006
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>945,367</b>	883,249
Investment properties		–	7,055
Prepaid land lease payments		<b>55,921</b>	48,990
Deferred tax assets		–	41
		<hr/>	<hr/>
Total non-current assets		<b>1,001,288</b>	939,335
<b>CURRENT ASSETS</b>			
Inventories		<b>776,137</b>	483,347
Accounts and bills receivable	8	<b>488,700</b>	367,396
Prepayments, deposits and other receivables		<b>14,245</b>	9,405
Equity investments at fair value through profit or loss		<b>1,103</b>	1,382
Due from a minority shareholder		<b>128</b>	140
Pledged deposits		–	2,152
Cash and cash equivalents		<b>155,042</b>	193,076
		<hr/>	<hr/>
Total current assets		<b>1,435,355</b>	1,056,898
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable	9	<b>596,642</b>	384,657
Accrued liabilities and other payables		<b>56,272</b>	45,802
Tax payable		<b>20,486</b>	17,076
Bank advances for discounted bills	8	<b>65,583</b>	85,796
Interest-bearing bank and other borrowings		<b>393,258</b>	475,720
		<hr/>	<hr/>
Total current liabilities		<b>1,132,241</b>	1,009,051
<b>NET CURRENT ASSETS</b>		<b>303,114</b>	47,847
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,304,402</b>	987,182
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>460,710</b>	188,447
		<hr/>	<hr/>
Total non-current liabilities		<b>460,710</b>	188,447
		<hr/>	<hr/>
Net assets		<b>843,692</b>	798,735
		<hr/> <hr/>	<hr/> <hr/>

	<b>30 June 2007</b>	31 December 2006
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Issued capital	<b>64,000</b>	64,000
Reserves	<b>772,485</b>	708,818
Proposed final dividend	–	25,600
	<b>836,485</b>	798,418
<b>Minority interests</b>	<b>7,207</b>	317
Total equity	<b>843,692</b>	798,735

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). These condensed consolidated financial statements are unaudited but have been reviewed by the Company’s audit committee.

The basis of preparation and accounting policies adopted in preparing these condensed financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2006 except for the adoption of the following amendment mandatory for periods beginning on or after 1 January 2007:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The Group has assessed the impact of the adoption of the above new and revised HKFRSs and concluded that there was no significant impact on the Group’s results and financial position.

The Group has not early applied the following new and revised HKFRSs relevant to the Group’s financial statements, that have been issued but not yet effective in the period covered by these interim financial statements.

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

The Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group’s financial statements in the period of initial application.

## 2. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No information has been disclosed in respect of the Group's business segments as over 90% of the Group's revenue and assets are related to the production and sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting services.

A geographical segment analysis of the Group's financial results for the period ended 30 June 2007, with comparative figures for the period ended 30 June 2006, is summarized below:

### (i) Geographical segments based on the location of customers

	Singapore HK\$'000	Hong Kong HK\$'000	Taiwan HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Six months ended</b>						
<b>30 June 2007</b>						
<b>(Unaudited)</b>						
Segment revenue:						
Sales to external customers	525,520	158,403	85,483	115,580	185,527	1,070,513
Other income	1,441	2,010	2	158	68	3,679
Total	<u>526,961</u>	<u>160,413</u>	<u>85,485</u>	<u>115,738</u>	<u>185,595</u>	<u>1,074,192</u>
Segment results	<u>92,091</u>	<u>30,388</u>	<u>15,316</u>	<u>20,864</u>	<u>33,306</u>	<u>191,965</u>
Interest and other unallocated income						5,688
Unallocated expenses						(104,084)
Finance costs						(22,655)
Profit before tax						70,914
Tax						(7,307)
Profit for the period						<u>63,607</u>
	Singapore HK\$'000	Hong Kong HK\$'000	Taiwan HK\$'000	PRC HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Six months ended</b>						
<b>30 June 2006</b>						
<b>(Unaudited)</b>						
Segment revenue:						
Sales to external customers	476,972	152,385	106,911	68,214	91,150	895,632
Other income	240	1,107	1	167	43	1,558
Total	<u>477,212</u>	<u>153,492</u>	<u>106,912</u>	<u>68,381</u>	<u>91,193</u>	<u>897,190</u>
Segment results	<u>92,366</u>	<u>28,151</u>	<u>18,583</u>	<u>12,022</u>	<u>16,043</u>	<u>167,165</u>
Interest and other unallocated income						2,213
Unallocated expenses						(85,414)
Finance costs						(19,010)
Profit before tax						64,954
Tax						(7,718)
Profit for the period						<u>57,236</u>

(ii) Geographical segments based on the location of assets

	Singapore <i>HK\$'000</i>	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets					
As at 30 June 2007 (Unaudited)	<u>541</u>	<u>542,693</u>	<u>1,859,625</u>	<u>33,784</u>	<u>2,436,643</u>
As at 31 December 2006 (Audited)	<u>476</u>	<u>437,880</u>	<u>1,534,135</u>	<u>23,742</u>	<u>1,996,233</u>
Capital expenditure					
Six months ended 30 June 2007 (Unaudited)	<u>22</u>	<u>207</u>	<u>91,169</u>	<u>11,190</u>	<u>102,588</u>
Six months ended 30 June 2006 (Unaudited)	<u>–</u>	<u>981</u>	<u>83,944</u>	<u>26,695</u>	<u>111,620</u>

3. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and services provided by the Group. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the revenue and other income is as follows:

	Six months ended 30 June 2007 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2006 <i>HK\$'000</i> (Unaudited)
<b>Revenue</b>		
Production and sale of knitted fabric, dyed yarn and garment products and provision of related subcontracting services	1,070,513	895,632
<b>Other income</b>		
Fee income from freight handling services	3,679	1,558
Bank interest income	552	549
Gross rental income	301	742
Others	4,835	922
	<u>9,367</u>	<u>3,771</u>
	<u>1,079,880</u>	<u>899,403</u>

#### 4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June 2007 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2006 HK\$'000 (Unaudited)
Cost of inventories sold and services provided	812,748	715,258
Auditors' remuneration	990	721
Research and development costs	2,056	1,900
Depreciation of items of property, plant and equipment	39,509	34,640
Depreciation of investment properties	–	188
Amortisation of prepaid land lease payments	583	444
Employee benefits expense (including directors' remuneration):		
Wages and salaries	76,325	51,462
Pension scheme contributions	2,048	1,811
	<u>78,373</u>	<u>53,273</u>
Minimum lease payments under operating leases in respect of land and buildings	1,159	653
Loss on disposal of items of property, plant and equipment	321	474
Fair value loss on equity investment at fair value through profit or loss	377	31
Allowance for doubtful debts	–	129
Write back of allowance for doubtful debts	(112)	(12,771)
Foreign exchange differences, net	<u>381</u>	<u>2,912</u>

#### 5. TAX

	<b>Six months ended 30 June 2007 HK\$'000 (Unaudited)</b>	Six months ended 30 June 2006 HK\$'000 (Unaudited)
Current tax – Hong Kong		
Charge for the period	4,325	3,108
Overprovision in respect of prior periods	–	(31)
Current tax – Elsewhere		
Charge for the period	2,941	4,445
Deferred tax charged	41	196
	<u>7,307</u>	<u>7,718</u>
Total tax charge for the period	<u>7,307</u>	<u>7,718</u>

Profits tax in Hong Kong is calculated at 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits for the Period. Tax in elsewhere is calculated at tax rates prevailing in the respective jurisdictions.

## 6. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2006: Nil).

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the Company of HK\$63,667,000 (six months ended 30 June 2006: HK\$57,236,000) and the weighted average of 640,000,000 (six months ended 30 June 2006: 640,000,000) ordinary shares deemed to have been in issue during the Period.

Diluted earnings per share for the period ended 30 June 2007 and 2006 has not been disclosed, as the share options outstanding during these Periods had an anti-dilutive effect on the basic earnings per share for these Periods.

## 8. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading term with its customers are generally on credit with terms of up to 60 days and are non-interest bearing (except for certain well-established customers having strong financial strength, good repayment history and credit worthiness, where the credit terms are extended to 120 days). Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of the Group's accounts and bills receivable as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
Within 30 days	257,043	138,659
31 to 60 days	129,190	100,241
61 to 90 days	77,964	83,166
Over 90 days	24,503	45,330
	<b>488,700</b>	367,396

The carrying amounts of the Group's accounts and bills receivable approximate to their fair values.

Included in the above accounts and bills receivable as at 30 June 2007, HK\$65,583,000 (31 December 2006: HK\$85,796,000) was discounted to banks in exchange for cash and included as "Bank advances for discounted bills" on the face of the consolidated balance sheet.

## 9. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the Group's accounts and bills payable as at the balance sheet date, based on the invoice date, is as follows:

	<b>30 June 2007 HK\$'000 (Unaudited)</b>	31 December 2006 HK\$'000 (Audited)
Within 90 days	497,370	322,382
91 to 180 days	97,517	50,865
181 to 365 days	1,616	11,322
Over 365 days	139	88
	<u>596,642</u>	<u>384,657</u>

The accounts and bills payable are non-interest-bearing and are normally settled on 60 day term. The carrying amounts of the Group's accounts and bills payable approximate to their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Result

The Group recorded unaudited revenue of approximately HK\$1,070.5 million for the six months ended 30 June 2007 comprising sales of fabrics, dyed yarn and garment products, representing an overall growth of approximately 19.5% over the same period last year. The growth in revenue was attributable to the expansion of sales network by introduction of new customers and growth of order from the existing customers as well as the new source of revenue from garment operation.

The gross profit for the six months ended 30 June 2007 was approximately HK\$222.2 million, representing an increase of approximately 22.3% compared with the same period last year. The gross profit margin was approximately 20.8% for the six months ended 30 June 2007, representing an increase of approximately 0.5 percentage points over the gross profit margin of approximately 20.3% for the same period last year. The increase in gross profit margin was mainly due to the improvement of operating efficiency by enhancement of the production facilities in the Panyu manufacturing base last year. The increase in operating efficiency is partly offset by the increase in labour cost due to labour shortage and the Renminbi appreciation.

Unaudited net profit attributable to shareholders for the six months ended 30 June 2007 was approximately HK\$63.7 million, representing an increase of approximately 11.2% compared with the same period last year. The net profit margin for the six months ended 30 June 2007 was approximately 5.9%, representing a decrease by approximately 0.5 percentage points from the corresponding period of approximately 6.4% last year. Administrative and selling expenses increased by approximately 21.8%, which is in line with the growth of revenue. The reduction in net gross profit margin is mainly attributable to the higher operating and administrative cost in the initial stage of the new garment operation as well as Renminbi appreciation.

## **Business Review**

### *1. Manufacture and sale of finished knitted fabrics, dyed yarn and garment products*

The principal operation of the Group is the manufacture and sale of finished knitted fabrics, dyed yarn and garment products. During the Period, revenue amounted to approximately HK\$1,070.5 million, representing a growth of approximately 19.5% over the same period last year. Garment manufacturing is a new operation commenced in late 2006. Revenue for garment sales during the Period is approximately HK\$42.6 million representing approximately 4% of total revenue.

### *2. Geographical analysis of the Group's revenue*

During the Period, customers from Singapore, Hong Kong, PRC, Taiwan and other areas accounted for about approximately 49.1%, 14.8%, 10.8%, 8.0% and 17.3% of the Group's total revenue, respectively. Sales to Singapore, Hong Kong and PRC increased by approximately 10.2%, 3.9% and 69.4%, respectively, as a result of enhancement of customer services in the regions. Sales to Taiwan reduced by approximately 20.0% because the Group intended to shift to other customers with higher profit margin. Sales to other areas increased by approximately 103.5% mainly attributable to the development of new customers in USA, Korea and Africa.

## **Business Outlook**

The Group continued to diversify into different markets by supplying fabrics and dyed yarn to new labels and develop new Korea and PRC markets to sustain the growth. The new Enping factory, which will commence operation in mid-2008, will provide additional production capacity to support the continuous expansion of the market.

Garment business is a new operation commenced in late 2006. After the initial set up phase of the factory, the production efficiency has improved. It is expected the revenue will be increased in the future due to the expansion of orders from the existing customers as well as new customers.

## **Financial Review**

### *Liquidity, financial resources and capital structure*

The Group maintained a healthy financial and liquidity position. As at 30 June 2007, the total current assets and current ratio of the Group were approximately HK\$1,435.4 million (31 December 2006: HK\$1,056.9 million) and approximately 1.3 times (31 December 2006: 1.0 times) respectively. The total cash and bank deposits balance of the Group as at 30 June 2007 was approximately HK\$155.0 million (31 December 2006: HK\$193.1 million).

As at 13 April 2007, the Group has successfully obtained a four-year syndicated loan facility of HK\$440.0 million from a syndicate of banks at interest rate of HIBOR plus 0.68% per annum for refinancing current syndicated loan, supplying additional working capital and financing future expansion of production capacity. The syndicated loan facility could reduce interest expenses and strengthen the Group's financial position.

As at 30 June 2007, total bank borrowings for the Group, including bank advances for discounted bills of HK\$65.6 million (31 December 2006: HK\$85.8 million), amounted to approximately HK\$919.6 million (31 December 2006: HK\$750.0 million), of which 49.9% (31 December 2006: 74.9%) was repayable within one year and 50.1% (31 December 2006: 25.1%) was repayable within two to five years. For the total bank borrowings as at 30 June 2007, 5.6% of the balance (31 December 2006: 9.4%) was secured under finance lease. Besides, 72.0% (31 December 2006: 72.6%) and 28.0% (31 December 2006: 27.4%) of the balance was denominated in HK\$ and US\$, respectively.

The net debt gearing ratio of the Group as at 30 June 2007 (bank borrowings net of cash on hand and bank deposits to equity) was approximately 90.6% (31 December 2006: 69.7%). Increase in total bank borrowings and net debt gearing ratio was mainly due to the increase in working capital for growth of revenue during the Period and the seasonal effect in the peak production period from March to August.

As at 30 June 2007, the Group had net tangible assets of approximately HK\$ 843.7 million (31 December 2006: HK\$798.7 million), comprising non-current assets of approximately HK\$1,001.3 million (31 December 2006: HK\$939.3 million), net current assets of approximately HK\$303.1 million (31 December 2006: HK\$47.8 million) and non-current liabilities of approximately HK\$460.7 million (31 December 2006: HK\$188.4 million).

#### *Exposure to fluctuation in foreign exchange and interest rate*

Approximately 74.2% (six months ended 30 June 2006: 75.0%) of the Group's sales were denominated in US dollars. The remaining sales were denominated in Hong Kong dollars and Renminbi. The majority of the Group's cost of sales was denominated in US dollars, Hong Kong dollars and Renminbi. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US dollars and Renminbi. Renminbi appreciated against other currencies continuously during the Period under review. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary. Exchange rate of the other currencies was relatively stable throughout the Period under review.

The Group's borrowings were mainly maintained as floating rate basis. Attention will be paid to the interest rate movements. Hedging instruments will be employed when necessary to hedge against unanticipated interest rate volatilities.

#### *Charge on the Group's assets*

As at 30 June 2007, certain items of property, plant and equipment of the Group with an aggregate net book value of approximately HK\$181.6 million (31 December 2006: HK\$194.6 million) were under finance lease.

#### *Capital expenditure*

During the Period, the Group invested approximately HK\$102.6 million (six months ended 30 June 2006: HK\$111.6 million) in property, plant and equipments, as well as prepaid land lease payments, of which approximately 73.1% (six months ended 30 June 2006: 53.4%) was used for the purchase of plant and machinery, approximately 15.9% (six months ended 30 June 2006: 34.5%) was used for the purchase and construction of new factory premises, approximately 7.3% (six months ended 30 June 2006: 7.6%) was used for the acquisition of land for production capacity expansion, and the remaining was used for the purchase of other property, plant and equipment.

As at 30 June 2007, the Group had capital commitments of approximately HK\$14.2 million (31 December 2006: HK\$6.2 million) and HK\$100.5 million (31 December 2006: HK\$15.7 million) in respect of plant and equipment and construction in progress respectively. As mentioned above, the Group will be able to fulfill its capital commitments when they fall due.

#### *Contingent liabilities*

As at 30 June 2007, the Group also had bills discounted with recourse of approximately HK\$45.7 million (31 December 2006: HK\$103.3 million) which are supported by letters of credit. The Group had a contingent liability in respect of possible future long service payments to employees with a maximum possible amount of approximately HK\$1.5 million (31 December 2006: HK\$2.1 million).

#### **Material Acquisition and Disposal of Subsidiaries and Associated Companies**

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the Period.

#### **Human Resources**

As at 30 June 2007, the total number of employees of the Group was approximately 4,350 (31 December 2006: 4,050) in the PRC, 3,340 (31 December 2006: 1,140) in Madagascar, 140 (31 December 2006: 153) in Hong Kong, Macau and Singapore. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. The Group also participates in various defined contribution plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of various locations worldwide.

#### **Interim Dividend**

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2006: Nil).

#### **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 Period.

#### **SUFFICIENCY OF PUBLIC FLOAT**

On 17 July 2007, the Company was made aware that its public float has fallen below the minimum public float requirement of 25% under Rule 8.08 of the Listing Rules. For the purpose of restoring the minimum public float, the controlling shareholder of the Company, namely, Exceed Standard, had on 18 July 2007 disposed 1,400,000 shares in the capital of the Company on the market. As a result of the disposal, 25% of the issued shares of the Company are held in public hands.

#### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007. Further information concerning governance practices has been set out on pages 13 to 19 of the Company's 2006 Annual Report.

## **REMUNERATION COMMITTEE AND NOMINATION COMMITTEE**

The remuneration committee comprises four independent non-executive Directors, namely Ms. Chu Hak Ha, Mimi (Chairman), Mr. Chan Yuk Tong, Jimmy, Mr. Ku Shiu Kuen, Anthony and Mr. Chan Chun Yuen, Lawrence and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. Mr. Chan Chun Yuen, Lawrence was appointed as a member of the remuneration committee on 1 July 2007. The remuneration committee is primarily responsible for reviewing and making recommendations to the Board on the remuneration packages of all executive directors and senior management to ensure that such remuneration is reasonable and not excessive.

The nomination committee also comprises four independent non-executive Directors, namely Mr. Ku Shiu Kuen, Anthony (Chairman), Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi and Mr. Chan Chun Yuen, Lawrence and two executive Directors, namely Mr. Tai Chin Chun and Mr. Tai Chin Wen. Mr. Chan Chun Yuen, Lawrence was appointed as a member of the nomination committee on 1 July 2007. The nomination committee is primarily responsible for reviewing and making recommendations to the Board on the selection of board members to ensure that suitable individuals are nominated for filling vacancies on the directorships.

## **AUDIT COMMITTEE**

The audit committee comprises four independent non-executive Directors, namely Mr. Chan Yuk Tong, Jimmy (Chairman), Ms. Chu Hak Ha, Mimi, Mr. Ku Shiu Kuen, Anthony and Mr. Chan Chun Yuen, Lawrence. Mr. Chan Chun Yuen, Lawrence was appointed as a member of the audit committee on 1 July 2007. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transaction for the six months ended 30 June 2007.

## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGES'S WEBSITE**

The electronic version of this announcement which contains all the relevant information as required by paragraph 46 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>). An interim report of the Company for the six months ended 30 June 2007 containing the information required under Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

## **GENERAL INFORMATION**

As at the date of this announcement, the executive directors of the Company are Mr. Tai Chin Chun, Mr. Tai Chin Wen, Ms. Cheung So Wan, Ms. Wong Siu Yuk and Mr. Chong Chau Lam and the independent non-executive directors of the Company are Mr. Chan Yuk Tong, Jimmy, Ms. Chu Hak Ha, Mimi, Mr. Ku Shiu Kuen, Anthony and Mr. Chan Chun Yuen, Lawrence.

By Order of the Board  
**Tai Chin Chun**  
*Chairman*

Hong Kong, 4 September 2007