

INTERIM REPORT 2007



**豐采** 多媒體集團  
Riche multi-media  
RICHE MULTI-MEDIA HOLDINGS LIMITED  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 0764)

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## Corporate Information

### Board of Directors

#### *Executive directors*

Mr. Heung Wah Keung (*Chairman*)  
Ms. Chen Ming Yin, Tiffany  
(*Vice Chairman*)

#### *Independent non-executive directors*

Mr. Tang Chak Lam, Gilbert  
Mr. Ho Wai Chi, Paul  
Mr. Lien Wai Hung

### Company Secretary

Mr. Chan Kin Wah, Billy

### Qualified Accountant

Mr. Chan Kin Wah, Billy

### Members of the Audit Committee

Mr. Tang Chak Lam, Gilbert  
Mr. Ho Wai Chi, Paul  
Mr. Lien Wai Hung

### Members of Remuneration Committee

Ms. Chen Ming Yin, Tiffany  
Mr. Tang Chak Lam, Gilbert  
Mr. Lien Wai Hung

### Members of the Nomination Committee

Mr. Heung Wah Keung  
Mr. Tang Chak Lam, Gilbert  
Mr. Lien Wai Hung

### Members of the Finance Committee

Mr. Heung Wah Keung  
Mr. Ho Wai Chi, Paul

### Authorised Representatives

Mr. Heung Wah Keung  
Ms. Chen Ming Yin, Tiffany

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### Head Office and Principal Place of Business

Room 3408  
34/F Shun Tak Centre, West Tower  
168-200 Connaught Road Central  
Hong Kong

### Principal Share Register and Transfer Office

The Bank of Bermuda Limited

### Hong Kong Branch Share Register and Transfer Office

Standard Registrars Limited

### Auditors

HLB Hodgson Impey Cheng  
Chartered Accountants  
Certified Public Accountants

### Principal Bankers

Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited  
Seng Heng Bank Limited

### Stock Code

764

### Website

[www.riche.com.hk](http://www.riche.com.hk)

### E-Mail Address

[enquiry@riche.com.hk](mailto:enquiry@riche.com.hk)

## Condensed Consolidated Income Statement

for the six months ended 30 June 2007

	Notes	Six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
<b>Turnover</b>	3	29,191	12,762
<b>Cost of sales</b>		(24,465)	(9,965)
<b>Gross profit</b>		4,726	2,797
<b>Other revenue</b>	4	1,307	3,090
<b>Other income</b>	4	122,593	4,430
<b>Administrative expenses</b>		(15,656)	(8,574)
<b>Share-based payment expenses</b>		(13,688)	—
<b>Loss on disposal of property, plant and equipment</b>		—	(1,034)
<b>Provision for impairment of trade receivables</b>		—	(1,050)
<b>Provision for impairment of deposits, prepayments and other receivables</b>		—	(131)
<b>Profit/(loss) from operations</b>	5	99,282	(472)
<b>Finance costs</b>	6	(8,334)	(668)
<b>Profit/(loss) before taxation</b>		90,948	(1,140)
<b>Taxation</b>	7	—	—
<b>Profit/(loss) for the period</b>		90,948	(1,140)
<b>Attributable to:</b>			
Equity holders of the Company		90,948	(1,140)
<b>Dividend</b>	8	—	—
<b>Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company</b>			
— Basic	9	HK12.05 cents	(HK0.22 cents)
— Diluted	9	HK11.96 cents	(HK0.22 cents)

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

## Condensed Consolidated Balance Sheet

	Notes	At 30 June 2007 HK\$'000 (Unaudited)	At 31 December 2006 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	9,677	2,468
Investment properties	11	701,079	678,000
Goodwill		77,284	77,284
Available-for-sale financial assets		172	172
		<b>788,212</b>	<b>757,924</b>
<b>Current assets</b>			
Inventories	12	45,154	45,154
Trade receivables	13	736	936
Deposits, prepayments and other receivables		14,746	19,254
Financial assets at fair value through profit or loss		19,392	28,100
Tax prepayments		9,720	7,720
Cash and cash equivalents		203,961	63,140
		<b>293,709</b>	<b>164,304</b>
<b>Total assets</b>		<b>1,081,921</b>	<b>922,228</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	14	96,614	64,843
Reserves		556,208	334,793
		<b>652,822</b>	<b>399,636</b>
<b>Minority interests</b>		<b>3,896</b>	<b>3,896</b>
		<b>656,718</b>	<b>403,532</b>

## Condensed Consolidated Balance Sheet *(Continued)*

		At 30 June 2007 HK\$'000 (Unaudited)	At 31 December 2006 HK\$'000 (Audited)
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals and other payables		15,079	20,208
Receipts in advance	15	60,838	60,898
Amounts due to related companies	16	600	606
Secured bank loan — due within one year	17	15,000	5,470
Tax payable		22,969	23,240
		<b>114,486</b>	110,422
<b>Non-current liabilities</b>			
Secured bank loan — due after one year	17	254,400	351,957
Deferred taxation		56,317	56,317
		<b>310,717</b>	408,274
<b>Total equity and liabilities</b>		<b>1,081,921</b>	922,228
<b>Net current assets</b>		<b>179,223</b>	53,882
<b>Total assets less current liabilities</b>		<b>967,435</b>	811,806

The accompanying notes form an integral part of these financial statements.

## Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2007

	Attributable to equity holders of the Company										
	Share-based										
	Share capital HK\$'000	Share premium HK\$'000	Share payment reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2006	51,540	127,865	—	19,834	80,103	—	—	(111,732)	167,610	—	167,610
Issuance of new shares	13,303	252,761	—	—	—	—	—	—	266,064	—	266,064
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	3,896	3,896
Loss for the period	—	—	—	—	—	—	—	(1,140)	(1,140)	—	(1,140)
<b>At 30 June 2006</b>	<b>64,843</b>	<b>380,626</b>	<b>—</b>	<b>19,834</b>	<b>80,103</b>	<b>—</b>	<b>—</b>	<b>(112,872)</b>	<b>432,534</b>	<b>3,896</b>	<b>436,430</b>
At 1 January 2007	64,843	380,626	—	19,844	80,103	(19,955)	7,201	(133,026)	399,636	3,896	403,532
Issuance of new shares	28,531	105,161	—	—	—	—	—	—	133,692	—	133,692
Exercise of share options	3,240	15,827	(3,840)	—	—	—	—	—	15,227	—	15,227
Exchange differences arising from translation of investment in a foreign subsidiary	—	—	—	—	—	—	(369)	—	(369)	—	(369)
Share-based payment expenses	—	—	13,688	—	—	—	—	—	13,688	—	13,688
Profit for the period	—	—	—	—	—	—	—	90,948	90,948	—	90,948
<b>At 30 June 2007</b>	<b>96,614</b>	<b>501,614</b>	<b>9,848</b>	<b>19,844</b>	<b>80,103</b>	<b>(19,955)</b>	<b>6,832</b>	<b>(42,078)</b>	<b>652,822</b>	<b>3,896</b>	<b>656,718</b>

## Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2007

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
	(Unaudited)	(Unaudited)
<b>Net cash (used in)/generated from operating activities</b>	<b>(17,269)</b>	27,635
<b>Net cash (used in)/generated from investing activities</b>	<b>(4,895)</b>	10,725
<b>Net cash generated from/(used in) financing activities</b>	<b>163,354</b>	(40,578)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>141,190</b>	(2,218)
Effect on foreign exchange rate	(369)	—
<b>Cash and cash equivalents at beginning of period</b>	<b>63,140</b>	137,973
<b>Cash and cash equivalents at end of period</b>	<b>203,961</b>	135,755
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	203,961	135,755

# Notes to the Condensed Consolidated Financial Statements

*for the six months ended 30 June 2007*

## **1. Basis of Preparation**

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss, which are measured at fair values, as appropriate.

## **2. Summary of Significant Accounting Policies**

The accounting policies used in the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 January 2007. The adoption of the new HKFRSs had no material effect on the results and the financial position of the Group for the current or prior accounting periods.

## 2. Summary of Significant Accounting Policies (Continued)

### **Standards or interpretations issued but not yet effective**

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

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions <sup>2</sup>
HK (IFRIC) — Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

The Group is still considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are presented. These new HKFRSs may result in changes in the future as to how the results and financial position are presented.

### 3. Segment Information

#### (a) Business segments

	Six months ended 30 June 2007				Consolidated HK\$'000
	Distribution HK\$'000	Sub-licensing HK\$'000	Sales of financial assets HK\$'000	Property investment HK\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	—	—	27,575	1,616	29,191
Segment profit	—	—	3,230	1,496	4,726
Unallocated other revenue					123,900
Unallocated corporate expenses					(29,344)
Profit from operations					99,282
Finance costs					(8,334)
Profit before taxation					90,948
Taxation					—
Profit for the period					90,948

### 3. Segment Information (Continued)

#### (a) Business segments (Continued)

	Six months ended 30 June 2006				
	Distribution	Sub-licensing	Sales of financial assets	Property investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	122	200	12,440	—	12,762
Segment (loss)/profit	(1,391)	(10)	3,320	—	1,919
Unallocated other revenue					2,590
Unallocated corporate expenses					(4,981)
Loss from operations					(472)
Finance costs					(668)
Loss before taxation					(1,140)
Taxation					—
Loss for the period					(1,140)

#### (b) Geographical segments — Turnover

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong and Macau	27,575	12,762
The People's Republic of China (the "PRC")	1,616	—
	29,191	12,762

#### 4. Other Revenue and Other Income

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
	(Unaudited)	(Unaudited)
<b>Other revenue</b>		
Interest income on bank deposits	1,276	2,514
Dividend income from financial assets at fair value through profit or loss	30	576
Sundry income	1	—
	<b>1,307</b>	3,090
<b>Other income</b>		
Increase in fair value of financial assets at fair value through profit or loss	15,637	4,430
Loan interest waived	106,956	—
	<b>122,593</b>	4,430

## 5. Profit/(Loss) from Operations

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit/(loss) from operations</b>		
<b>has been arrived at after charging:</b>		
Cost of inventories sold	—	10
Depreciation of property, plant and equipment	708	351
Loss on disposal of property, plant and equipment	—	1,034
Provision for impairment of trade receivables	—	1,050
Provision for impairment of deposits, prepayments and other receivables	—	131
Staff costs including directors' emoluments:		
— Salaries and other allowances	4,299	3,205
— Contributions to retirement benefits scheme	60	62

## 6. Finance Costs

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on borrowings wholly repayable within five years:		
— secured bank loan	8,334	568
— loan payable	—	100
	8,334	668

## 7. Taxation

No provision for Hong Kong Profits Tax has been made for the period since the Group has no estimated assessable profits (six months ended 30 June 2006: Nil).

No provision for the PRC Enterprise Income Tax was made as the Company's subsidiaries in the PRC did not have taxable income (six months ended 30 June 2006: Nil).

## 8. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

## 9. Earnings/(Loss) Per Share

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Profit/(loss) attributable to equity holders of the Company for the purposes of basic and diluted earnings/(loss) per share	90,948	(1,140)
Number of shares		
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	754,792	522,053
Effect of dilutive potential ordinary shares: Share options	5,639	—
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	760,431	522,053

## 9. Earnings/(Loss) Per Share (Continued)

The weighted average number of shares for the six months ended 30 June 2006 for the purposes of basic and diluted loss per share has been adjusted to take into effect of the share consolidation that became effective on 21 May 2007. Details of the share consolidation are set out in note 14 to the Interim Financial Statements.

The computation of diluted loss per share for the six months ended 30 June 2006 did not assume the exercise of the Company's share options as the effect of the assumed exercise of the Company's outstanding share options would be anti-dilutive.

## 10. Property, Plant and Equipment

	<i>HK\$'000</i>
<b>Cost</b>	
At 1 January 2007	5,873
Additions	7,917
	<hr/>
<b>At 30 June 2007</b>	<b>13,790</b>
	<hr/>
<b>Accumulated depreciation</b>	
At 1 January 2007	3,405
Charged for the period	708
	<hr/>
<b>At 30 June 2007</b>	<b>4,113</b>
	<hr/>
<b>Net book value</b>	
<b>At 30 June 2007</b>	<b>9,677</b>
	<hr/>
At 31 December 2006	2,468
	<hr/>

## 11. Investment Properties

	<i>HK\$'000</i>
At 1 January 2007	678,000
Additions	23,079
<b>At 30 June 2007</b>	<b>701,079</b>

At 30 June 2007, the directors considered the carrying amounts of the Group's investment properties do not differ significantly from their fair values.

At 30 June 2007, all of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

## 12. Inventories

Inventories at 30 June 2007 solely comprised of certain apartments held by Beijing Jianguo Real Estate Development Company Limited ("BJ Jianguo"), a subsidiary of the Company, which were sold in previous years, of which sale and purchase agreements had been entered into and considerations had been received by BJ Jianguo. However, the transferrals of the legal titles of those apartments have not been completed as at the date of the Interim Financial Statements.

### 13. Trade Receivables

The granting of distribution rights and sub-licensing of film rights are covered by customers' deposits placed with the Group. The balances are receivable upon delivery of the master materials to customers.

The following is an aged analysis of trade receivables at the reporting date:

	<b>At 30 June 2007 HK\$'000 (Unaudited)</b>	<b>At 31 December 2006 HK\$'000 (Audited)</b>
0 — 30 days	—	—
31 — 60 days	—	—
61 — 90 days	—	—
Over 90 days	<b>1,786</b>	1,986
	<b>1,786</b>	1,986
Less: Provision of bad and doubtful debts	<b>(1,050)</b>	(1,050)
	<b>736</b>	936

The Group allows an average credit period of 90 days to its customers. The directors considered that the carrying amounts of trade receivables approximate to their fair values.

## 14. Share Capital

	Number of shares '000	Share capital HK\$'000
<b>Ordinary shares of HK\$0.10 each (2006: HK\$0.01)</b>		
<i>Authorised:</i>		
At 1 January 2007	20,000,000	200,000
Share consolidation ( <i>note iii</i> )	(18,000,000)	—
<b>At 30 June 2007</b>	<b>2,000,000</b>	<b>200,000</b>
<i>Issued and fully paid:</i>		
At 1 January 2007	6,484,340	64,843
Issuance of new shares ( <i>note i</i> )	1,296,860	12,969
Exercise of share options ( <i>note ii</i> )	324,000	3,240
Share consolidation ( <i>note iii</i> )	(7,294,680)	—
Issuance of new shares ( <i>note iv</i> )	155,620	15,562
<b>At 30 June 2007</b>	<b>966,140</b>	<b>96,614</b>

### Notes:

- (i) On 30 March 2007, 1,296,860,000 new shares of HK\$0.01 each were allotted and issued to Classical Statute Limited, a substantial shareholder of the Company, at a price of HK\$0.04 per share pursuant to the placing and subscription agreements dated 19 March 2007. The net proceeds of approximately HK\$50,500,000 were intended to be used for financing possible diversified investments of the Group and general working capital of the Group.
- (ii) On 17 May 2007, the Company allotted and issued 324,000,000 new shares of HK\$0.01 each pursuant to the exercise of share options granted to the Group's employees. The exercise price was HK\$0.047 per share.

#### 14. Share Capital (Continued)

Notes: (Continued)

- (iii) On 4 April 2007, the board of directors proposed that every ten issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company be consolidated into one issued and unissued ordinary share of HK\$0.10 each in the share capital of the Company. The share consolidation became effective on 21 May 2007.
- (iv) On 31 May 2007, the Company allotted and issued 155,620,000 new shares of HK\$0.10 each to independent investors at a price of HK\$0.55 per share. The net proceeds of approximately HK\$83,300,000 were intended to be used for financing possible diversified investments of the Group and general working capital of the Group.

#### 15. Receipts in Advance

At 30 June 2007, receipts in advance represented the full amounts of considerations received from sales of certain units of apartments as set out in note 12 to the Interim Financial Statements. Since the transfer of legal title on the ownership of these units have not yet been completed, no revenue could be recognised during the period under review.

#### 16. Amounts Due to Related Companies

	<b>At 30 June 2007 HK\$'000 (Unaudited)</b>	At 31 December 2006 HK\$'000 (Audited)
China Star Entertainment Limited and its subsidiaries (the "China Star Group")	<b>600</b>	606

The amounts due to the China Star Group are unsecured, non-interest bearing and have no fixed terms of repayment.

## 17. Secured Bank Loan

The secured bank loan bears interest at rates ranging from 6.156% to 6.584% per annum and is secured by the Group's investment properties in the PRC with fair value of approximately HK\$701,079,000 (note 11).

## 18. Lease Commitments

### *As lessee*

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	<b>At 30 June 2007 HK\$'000 (Unaudited)</b>	At 31 December 2006 HK\$'000 (Audited)
Within one year	<b>1,207</b>	1,332
In the second to fifth year inclusive	<b>988</b>	1,646
	<b>2,195</b>	2,978

Operating lease payments represented rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of two years and rentals are fixed for an average of two years.

## 18. Lease Commitments (Continued)

### As lessor

The Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of the Group's investment properties, which fall due as follows:

	<b>At 30 June 2007 HK\$'000 (Unaudited)</b>	<b>At 31 December 2006 HK\$'000 (Audited)</b>
Within one year	—	2,700

At the balance sheet date, the Company did not have any lease commitments.

## 19. Commitments

At 30 June 2007, the Group had capital expenditures amounting to approximately HK\$31,050,000 (31 December 2006: HK\$63,739,000) in respect of renovation works of investment properties contracted for but not provided in the Interim Financial Statements.

On 11 May 2007, the Company and Legend Rich Limited, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Steve Leung Hotel Design and Management Limited for the purpose of setting up Best Season Holdings Corp. ("JV Co"), which is held as to 75% by Legend Rich Limited and as to 25% by Steve Leung Hotel Design and Management Limited. Rich Joy Investment Limited, a wholly-owned subsidiary of the Company, has agreed to grant JV Co. the revolving facility of up to HK\$200,000,000. An interest of 6.5% per annum of the facility is payable together with the principal and not exceeding 3 years commencing on the drawn down date. As at the date of the Interim Financial Statements, JV Co has not drawn down the facility.

## 20. Material Related Party Transactions

- (a) During the period, the Group had the following transactions with the China Star Group:

Name of company	Nature of transaction	Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
		(Unaudited)	(Unaudited)
<b><i>Paid or payable to:</i></b>			
1. China Star Entertainment Limited	Salaries	(600)	—
2. China Star Entertainment Limited	Interest expense	—	(100)
3. China Star Production Services Limited	Post-production services expense	—	(85)
<b><i>Received or receivable from:</i></b>			
4. China Star HK Distribution Limited	Sub-licensing income	—	200

## 20. Material Related Party Transactions (Continued)

### (b) Compensation for key management personnel

Remuneration for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Salaries	1,760	1,656
Contribution to retirement benefits scheme	12	12

Save as aforesaid and disclosed elsewhere in the Interim Financial Statements, there was no other material related party transactions during the period under review.

## 21. Subsequent Events

- (i) On 11 July 2007, the Company allotted and issued 162,100,000 new shares of HK\$0.10 each at a price of HK\$0.50 per share by way of placing of new shares under general mandate. The net proceeds of HK\$78,900,000 are intended to be used for expansion of the Group's property investment business. Details of this transaction was set out in the Company's announcement dated 25 June 2007.
- (ii) On 19 July 2007, a conditional sale and purchase agreement was entered into between the Company, Legend Rich Limited, a wholly-owned subsidiary of the Company, and Ms. Chen Ming Yin, Tiffany, an executive director of the Company, in relation to the acquisition of a 100% interest in Modern Vision (Asia) Limited by Legend Rich Limited at a consideration of HK\$684,000,000 (subject to adjustment). The major asset of Modern Vision (Asia) Limited is its indirect 50% interest in a lot of land with the area of 4,669 square meters, named "Lote C7 do Plano de Urbanização da Baía da Praia Grande", located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070. The consideration will be satisfied in cash by the Company. Details of this transaction was set out in the Company's announcement dated 23 July 2007.

## **21. Subsequent Events** *(Continued)*

- (iii) On 1 August 2007, a conditional sale and purchase agreement was entered into between the Company, Legend Rich Limited and China Star Entertainment Limited, a substantial shareholder of the Company, in relation to the acquisition of a 100% interest in Exceptional Gain Profits Limited and a sale loan by Legend Rich Limited at a consideration of HK\$447,000,000. Exceptional Gain Profits Limited is an investment holding vehicle which indirectly holds a 50% interest in Kingsway Hotel. The consideration will be satisfied by the issue of a convertible note by the Company. Details of this transaction was set out in Company's announcement dated 8 August 2007.
  
- (iv) On 7 August 2007, the Company allotted and issued 173,000,000 new shares of HK\$0.10 each at a price of HK\$0.83 per share by way of top-up placing. The net proceeds of HK\$139,800,000 are intended to be used for expansion of the Group's property investment business. Details of this transaction was set out in the Company's announcement dated 25 July 2007.

## **22. Contingencies and Litigations**

At 30 June 2007, save as disclosed below, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the directors to be pending or threatened against any member of the Group.

- (i) The Commissioner of Inland Revenue issued proceedings on 30 March 2006 against Ocean Shores Licensing Limited ("OSLL"), a wholly-owned subsidiary of the Company, in respect of an aggregate amount of outstanding taxation of HK\$13,928,226 for the estimated assessments for the years of assessments from 1998/1999 to 2000/2001. Provision for this amount has been made in the Company's audited financial statements for the year ended 31 December 2006. OSLL has formally objected to the estimated assessments and paid the outstanding tax by monthly cash instalments. On 23 January 2007, the Inland Revenue Department issued a letter to OSLL requesting for more information on the offshore income claim made by OSLL. The tax representatives of OSLL are preparing a reply to the Inland Revenue Department;

## **22. Contingencies and Litigations** *(Continued)*

- (ii) A writ of summons and statement of claim was made by CL3 Architects Limited against BJ Jianguo in February 2006 for a claim of approximately HK\$2,500,000 over design contracts for the investment properties with BJ Jianguo. A verdict was issued by the PRC court that BJ Jianguo was liable to pay HK\$2,500,000 to CL3 Architects Limited. BJ Jianguo is seeking further legal advice in relation to the judgement. In the opinion of the directors, the outcome of this case is yet to be certain and considered no provision should be made; and
  
- (iii) A writ of summons and statement of claim was made by ICBC against BJ Jianguo for a claim of approximately RMB1,197,000 (or approximately HK\$1,197,000) over the non-repayment of a mortgage loan granted to a owner (the "Borrower") of an apartment unit in the Group's investment properties. The Borrower purchased the apartment unit from BJ Jianguo in 2001 and the legal title of the apartment unit has not yet been transferred from BJ Jianguo to the Borrower. On 15 December 2006, the PRC court made a verdict that BJ Jianguo was liable to pay RMB1,197,000 if the Borrower failed to pay RMB1,197,000 to ICBC. BJ Jianguo has appealed to the PRC court. Up to the date of this report, the PRC court is processing the appeal. In the opinion of the directors, no provision for this liability should be made as the sale proceed of the apartment unit has been fully received by BJ Jianguo and the legal title of the apartment unit remains with BJ Jianguo.

## **23. Approval of Interim Financial Statements**

The Interim Financial Statements were approved by the Board on 24 September 2007.



國 衛 會 計 師 事 務 所  
**Hodgson Impey Cheng**

Chartered Accountants  
Certified Public Accountants

31st Floor  
Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**INDEPENDENT REVIEW REPORT  
TO THE BOARD OF DIRECTORS OF  
RICHE MULTI-MEDIA HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

## **Introduction**

We have reviewed the interim financial information set out on pages 3 to 25, which comprise the condensed consolidated balance sheet of Riche Multi-Media Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and fair presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review 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.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".

### **HLB Hodgson Impey Cheng**

*Chartered Accountants*

*Certified Public Accountants*

Hong Kong, 24 September 2007

## Management Discussion and Analysis

In view of the persisted difficult market conditions for Hong Kong-made movies in the People's Republic of China (the "PRC"), the Group has slowed down its film distribution business. As a result, no revenue was generated from film distribution business during the period under review.

As the Group's investment properties located at No. 9 Gongyuan Xijie, Dongcheng District, Beijing, the PRC (the "Beijing Property") are under renovation and are expected to be become operational in the fourth quarter of 2007, revenue generated from property investment business was not significant during the period under review.

### Financial Review

The Group recorded a turnover of HK\$29,191,000 for the six months ended 30 June 2007, a 129% increase from HK\$12,762,000 for the same period of the previous year. Of the total turnover amount, HK\$27,575,000 or 94% was generated from sales of financial assets and HK\$1,616,000 or 6% was generated from property investment. The profit for the six months ended 30 June 2007 amounted to HK\$90,948,000, whereas the Group recorded a loss of HK\$1,140,000 in the previous period. The turnaround was attributable to the recognition of a gain of HK\$106,956,000 arising from the loan interest waived by China Merchants Bank, which was partially offset by the share-based payment expenses of HK\$13,688,000 in relation to share options granted to certain employees and consultants.

Cost of sales for the six months ended 30 June 2007 amounted to HK\$24,465,000, out of which HK\$24,345,000 was related to sales of financial assets and HK\$120,000 was related to property investment.

## **Management Discussion and Analysis** *(Continued)*

### **Financial Review** *(Continued)*

For the six months ended 30 June 2007, the Group recorded a gross profit of HK\$3,230,000 for sales of financial assets. Taking into account the dividend income of HK\$30,000 and the increase in fair value of financial assets at fair value through profit or loss of HK\$15,637,000, the performance of the Group's sales of financial assets was a profit of HK\$18,897,000. At 30 June 2007, the fair value of the Group's financial assets at fair value through profit or loss amounted to HK\$19,392,000. As the Hong Kong stock market is expected to be volatile in the second half of 2007, the Group does not intend to make any further investment in listed-securities and seeks opportunities to take profit on its investment portfolio.

Gross profit of property investment amounted to HK\$1,496,000 for the six months ended 30 June 2007. As the Beijing Property is currently under renovation, the contribution represented the rental income generated from the leasing of the ground floor of the Beijing Property to a restaurant operator.

Other revenue decreased from HK\$3,090,000 in the six months ended 30 June 2006 to HK\$1,307,000 in the six months ended 30 June 2007. The decrease was mainly attributed to a decrease in interest income on bank deposits of HK\$1,238,000.

During the six months ended 30 June 2007, other income amounted to HK\$122,593,000. It represented the increase in fair value of financial assets at fair value through profit or loss of HK\$15,637,000 and the gain of HK\$106,956,000 arising from the loan interest waived by China Merchants Bank.

## **Management Discussion and Analysis** *(Continued)*

### **Financial Review** *(Continued)*

Administrative expenses (net of amortisation and depreciation) amounted to HK\$14,948,000 for the six months ended 30 June 2007, an 82% increase from HK\$8,223,000 for the same period of the previous year. The increase was mainly attributed to the Group's expansion into property investment business in 2006.

For the six months ended 30 June 2007, finance costs amounted to HK\$8,334,000, a 1,148% increase as compared to HK\$668,000 for the six months ended 30 June 2006. The significant increase was attributable to the full six-month effect of the interest expense on secured RMB bank loan following the completion of the acquisition of the Beijing Property in June 2006.

During the six months ended 30 June 2007, the Group recorded the share-based payment expenses of HK\$13,688,000 in relation to share options granted to certain employees and consultants.

## Management Discussion and Analysis *(Continued)*

### Financial Review *(Continued)*

The headcount of the Group remained at 53 as of 30 June 2007. Total staff costs (including directors' remuneration) amounted to HK\$4,359,000 in the six months ended 30 June 2007, a 33% increase as compared to HK\$3,267,000 for the six months ended 30 June 2006. The increase was attributable to the increase in headcount resulted from the Group's expansion into property investment business in June 2006. Employees are remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme and share options. An analysis of headcount and total staff costs of the Group for the six months ended 30 June 2007 and 2006 is as follows:

	Six months ended 30 June	
	2007	2006
Total staff costs in HK\$		
— Hong Kong and Macau	<b>3,913,000</b>	3,175,000
— the PRC	<b>446,000</b>	92,000
	<b>4,359,000</b>	3,267,000
Headcount		
— Hong Kong and Macau	<b>20</b>	20
— the PRC	<b>33</b>	33
	<b>53</b>	53

## Management Discussion and Analysis *(Continued)*

### Financial Review *(Continued)*

In May 2007, the Group entered into a joint venture agreement with Steve Leung Hotel Design and Management Limited ("SLHDML"), a company beneficially owned by Mr. Steve Leung, for the purpose of setting up of a joint venture company, namely Best Season Holdings Corp. ("Best Season"). Best Season is owned as to 75% by the Company and as to 25% by SLHDML. Best Season has been established to invest in, manage and conduct branding for real estate and/or related properties in Macau including but not limited to hotel(s), serviced apartment(s), restaurant(s), retail(s), catering(s), resort(s), club(s), residential(s) and any other service position. During the six months ended 30 June 2007, Best Season has not yet commenced business.

During the six months ended 30 June 2007, the Group funded its operations through a combination of equity attributable to equity holders of the Company, secured RMB bank loan and issuance of new shares. Equity attributable to equity holders of the Company at 30 June 2007 amounted to HK\$652,822,000.

At 30 June 2007, the cash and cash equivalents of the Group amounted to HK\$203,961,000 and the Group's current ratio was 2.57 (31 December 2006: 1.49).

At 30 June 2007, the total borrowings of the Group amounted to HK\$269,400,000, representing a RMB secured bank loan which is secured by the Beijing Property, interest bearing at 95% of the interest rate prescribed by the People's Bank of China for loan period of five years and repayable within 4.5 years. The Group expresses its gearing ratio as a percentage of total borrowings over equity attributable to the Company's equity holders. At 30 June 2007, the Group's gearing ratio was 41% (31 December 2006: 89%).

## Management Discussion and Analysis *(Continued)*

### Financial Review *(Continued)*

On 4 April 2007, the board of directors proposed that every ten issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company be consolidated into one issued and unissued ordinary share of HK\$0.10 each in the share capital of the Company. The share consolidation became effective on 21 May 2007.

During the six months ended 30 June 2007, the Company issued:

- (i) 1,296,860,000 new shares of HK\$0.01 each at a price of HK\$0.04 per share in March 2007 raising HK\$50,500,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group;
- (ii) 155,620,000 new shares of HK\$0.10 each at a price of HK\$0.55 per share in May 2007 raising HK\$83,300,000 (net of expenses) for financing possible diversified investments of the Group and general working capital of the Group; and
- (iii) 324,000,000 new shares of HK\$0.01 each at an exercise price of HK\$0.047 per share in May 2007 pursuant to the exercise of share options granted to the Group's employees.

At 30 June 2007, the Beijing Property with a carrying amount of HK\$701,079,000 was pledged to secure the RMB secured bank loan granted to the Group.

As the majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi, the exchange risk of the Group is considered to be minimal. Accordingly, no financial instruments for hedging purposes have been used by the Group.

## **Management Discussion and Analysis** *(Continued)*

### **Financial Review** *(Continued)*

At 30 June 2007, the Group had the following commitments:

- (i) capital expenditures amounting to HK\$31,050,000 in respect of the renovation works of the Beijing Property contracted for but not provided in the unaudited condensed consolidated financial statements; and
- (ii) an unused revolving facility of up to HK\$200,000,000 granted to Best Season, a 75% owned subsidiary of the Company.

At 30 June 2007, the Group had contingent liabilities amounted to HK\$3,697,000 in relation to two litigations against the Group. Please refer to note 22 to the unaudited condensed consolidated interim financial statements for details.

### **Operations Review**

In view of the persisted weak demand for Hong Kong-made movies in the PRC and rampant piracy, Hong Kong film production companies adopt a cautious approach in investing films. Accordingly, the number of films produced by Hong Kong film production companies decreased in 2007. The decrease in supply of Hong Kong-made movies caused the Group was not able to secure quality films at reasonable prices. As a result, the Group slowed down its film distribution activities during the period under review. In the six months ended 30 June 2007, no revenue was generated from the Group's film distribution business. However, the Group is actively seeking potential buyers for its film library in order to realise its value.

## **Management Discussion and Analysis** *(Continued)*

### **Operations Review** *(Continued)*

The Beijing Property is currently under renovation and being transformed from an apartment complex into a high-end serviced apartment. The Group has recently appointed Shama, a boutique provider of serviced apartments, to manage the Beijing Property. To capture the growing tourists and the Olympic teams from various nations for 2008 Beijing Olympic Games, the Beijing Property is scheduled to be operational in the fourth quarter of 2007. The directors expect that the Beijing Property will contribute positively to the Group in the fiscal year of 2008.

### **Future Prospects**

As the operating environment for film distribution in the PRC will not be improved in coming years, the best strategy for the Group is to slow down its film distribution business and seek other suitable investment opportunities to diversify its revenue bases. With the effect of the PRC's accession into the World Trade Organisation in place and 2008 Beijing Olympic Games, Beijing is expected to see an increasing number of expatriates from multinational companies and foreign government institutions, which will lead to continual increase in demand for high-end serviced apartments. Upon the completion of the renovation, the Beijing Property is expected to meet the demand. The directors believe that the Beijing Property enables the Group to diversify its earnings base and provides the Group with a stable source of revenue, which will have a positive impact on the Group's profitability.

## Management Discussion and Analysis *(Continued)*

### Fund Raising Activities

Subsequent to 30 June 2007, the Company conducted the following fund raising activities in order to expand the Group's property investment business:

- (i) On 11 July 2007, the Company issued 162,100,000 new shares at a price of HK\$0.50 each by way of placing of new shares under general mandate raising HK\$78,900,000 (net of expenses). The proceeds are intended to be used for expansion of the Group's property investment business.
- (ii) On 7 August 2007, the Company issued 173,000,000 new shares at a price of HK\$0.83 each by way of top-up placing raising HK\$139,800,000 (net of expenses). The proceeds are intended to be used for expansion of the Group's property investment business.

### Proposed Acquisitions

Subsequent to 30 June 2007, the Company entered into the following agreements in order to diversify its revenue bases:

- (i) On 19 July 2007, a conditional sale and purchase agreement was entered into between the Company, Legend Rich Limited, a wholly-owned subsidiary of the Company, and Ms. Chen Ming Yin, Tiffany, an executive director of the Company, in relation to the acquisition of a 100% interest in Modern Vision (Asia) Limited by Legend Rich Limited at a consideration of HK\$684,000,000 (subject to adjustment). The major asset of Modern Vision (Asia) Limited is its indirect 50% interest in a lot of land with the area of 4,669 square meters, named "Lote C7 do Plano de Urbanização da Baía da Praia Grande", located in the Nam Van Lakes Zone, at Avenida Doutor Stanley Ho, registered with the Macau Land and Real Estate Registry under no. 23070. The consideration will be satisfied in cash by the Company. The proposed acquisition constitutes a very substantial acquisition and a connected transaction for the Company under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Accordingly, the proposed acquisition is subject to independent shareholders' approval.

## Management Discussion and Analysis *(Continued)*

### Proposed Acquisitions *(Continued)*

- (ii) On 1 August 2007, a conditional sale and purchase agreement was entered into between the Company, Legend Rich Limited and China Star Entertainment Limited, a substantial shareholder of the Company, in relation to the acquisition of a 100% interest in Exceptional Gain Profits Limited and a sale loan by Legend Rich Limited at a consideration of HK\$447,000,000. Exceptional Gain Profits Limited is an investment holding vehicle which indirectly holds a 50% interest in Kingsway Hotel Limited. The consideration will be satisfied by the issue of a convertible note by the Company. The proposed acquisition constitutes a very substantial acquisition and a connected transaction for the Company under the Listing Rules. Accordingly, the proposed acquisition is subject to independent shareholders' approval.

### Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

## **Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures**

At 30 June 2007, none of the directors nor their associates had any long or short positions in any shares, underlying shares or debentures of the Company and its associated corporation, as recorded in the register (the "Register of Interests") maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

At no time during the six months ended 30 June 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or the spouse or children under 18 years of age of such director, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate or had exercised any right to subscribe for the securities or had exercised any right to subscribe for the securities or had exercised any such rights.

## Share Option Scheme

The Company adopted its share option scheme on 21 January 2002. The principal terms of the share option scheme were disclosed in the Company's 2006 annual report. Details of movements in the Company's share options during the six months ended 30 June 2007 are set out as follows:

Category of participants	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1 January 2007	Granted during the period	Exercised during the period	Outstanding at 30 June 2007
Employees	8 March 2002	2.60	8 March 2002 to 7 March 2012	19,000,000	—	—	19,000,000
Employees	13 December 2004	1.94	13 December 2004 to 12 December 2014	27,570,000	—	—	27,570,000
Employees and consultants	22 March 2007	0.47	22 March 2007 to 21 March 2017	—	47,520,000	(32,400,000)	15,120,000
Employees and consultants	31 May 2007	0.70	31 May 2007 to 30 May 2017	—	79,129,000	—	79,129,000
				46,570,000	126,649,000	(32,400,000)	140,819,000

## Substantial Shareholders

At 30 June 2007, the register of substantial shareholders maintained by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders") showed that the following persons had interests in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company:

### Long positions

Name	Notes	Capacity	Interest in shares	Interest in underlying shares	Total interest	Percentage of the issued capital of the Company
China Star Entertainment Limited	1 & 4	Interest of corporation	276,351,000	—	276,351,000	28.60%
China Star Entertainment (BVI) Limited	1 & 4	Interest of corporation	276,351,000	—	276,351,000	28.60%
Classical Statute Limited	1 & 4	Beneficial owner	276,351,000	—	276,351,000	28.60%
Kingston Securities Limited	2	Other	162,100,000	—	162,100,000	16.78%
Ms. Chu Yuet Wah	2	Interest of corporation	162,100,000	—	162,100,000	16.78%
Ms. Ma Siu Fong	2	Interest of corporation	162,100,000	—	162,100,000	16.78%
Northbay Investments Holdings Limited	3	Beneficial owner	129,492,174	—	129,492,174	13.40%
Asia Vest Partners VII Limited	3	Interest of corporation	129,492,174	—	129,492,174	13.40%
Asia Vest Partners X Limited	3	Interest of corporation	129,492,174	—	129,492,174	13.40%
Asia Vest Partners Limited	3	Interest of corporation	129,492,174	—	129,492,174	13.40%
Mr. Andrew Nan Sherrill	3	Interest of corporation	129,492,174	—	129,492,174	13.40%

## Substantial Shareholders *(Continued)*

### Notes:

1. 276,351,000 shares are beneficially owned by Classical Statue Limited. Classical Statue Limited is a wholly-owned subsidiary of China Star Entertainment (BVI) Limited. China Star Entertainment (BVI) Limited is a wholly-owned subsidiary of China Star Entertainment Limited. China Star Entertainment Limited and China Star Entertainment (BVI) Limited are deemed to be interested in the shares owned by Classical Statue Limited.
2. Kingston Securities Limited interested in 162,100,000 shares by virtue of its capacity as the placing agent in relation to the placing of new shares as announced by the Company on 25 June 2007. 51% and 49% of the shareholding of Kingston Securities Limited are respectively owned by Ms. Chu Yuet Wah and Ms. Ma Siu Fong. Ms. Chu Yuet Wah and Ms. Ma Siu Fong are deemed to be interested in the 162,100,000 shares.
3. 129,492,174 shares are beneficially owned by Northbay Investments Holdings Limited. 35.5% and 64.5% of the entire shareholding of Northbay Investments Holdings Limited are respectively owned by Asia Vest Partners VII Limited and Asia Vest Partners X Limited, and both of them are indirectly wholly-owned by Mr. Andrew Nan Sherrill through Asia Vest Partners Limited.
4. Mr. Heung Wah Keung, Ms Chen Ming Yin, Tiffany and Mr. Ho Wai Chu, Paul are directors of the Company and China Star Entertainment Limited. Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany are also directors of China Star Entertainment (BVI) Limited and Classical Statue Limited.

Save as disclosed above, at 30 June 2007, the Company had not been notified by any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company as recorded in the Register of Substantial Shareholders.

## **Purchase, Sale and Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

## **Compliance with the Code on Corporate Governance Practices**

The Company has complied with all applicable code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2007, except for the following deviations:

### **1. Code provision A.2.1**

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company does not maintain the office of chief executive officer, however, the day-to-day management of the Group is responsible by the Vice Chairman. The division of responsibilities between the Chairman and the Vice Chairman has been clearly established and was set out in writing.

## **Compliance with the Code on Corporate Governance Practices** *(Continued)*

### **2. Code provision A.4.1**

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

### **3. Code provision B.1.4 and C.3.4**

Under the code provisions B.1.4 and C.3.4 of the Code, the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website. As the Company revamped its website, the above requirement regard to provide such information on website was not met during the six months ended 30 June 2007. However, the terms of reference of the two committees are available on request. As the revamp has recently been completed, the terms of reference of the two committees will be posted on the website in October 2007.

## **Compliance with the 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 for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2007. The Model Code also applies to other specified senior management of the Group.

## Review of Accounts

The audit committee has reviewed the interim report and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 and agreed to the accounting principles and practices adopted by the Company. In addition, the Company's external auditors have reviewed the unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## Board of Directors

As at the date of this report, the executive directors of the Company are Mr. Heung Wah Keung (*Chairman*) and Ms. Chen Ming Yin, Tiffany (*Vice Chairman*); and the independent non-executive directors of the Company are Mr. Tang Chak Lam, Gilbert, Mr. Ho Wai Chi, Paul and Mr. Lien Wai Hung.

## Acknowledgement

On behalf of the Board, I would like to express my gratitude and appreciation to my fellow directors, the management and staff for their dedication, loyalty and contribution. In addition, I would like to thank our shareholders for their continuous support.

By order of the Board

**Heung Wah Keung**

*Chairman*

Hong Kong, 24 September 2007