



Lerado Group (Holding) Company Limited
Stock Code : 1225

A close-up photograph of a young child with dark hair, laughing joyfully. The child is wearing a red jacket with a white collar and gold buttons. The background is a soft-focus collage of colorful circles in shades of yellow, orange, pink, and green.

06

Interim Report

Financial Results

The Board of Directors (the “Board”) of Lerado Group (Holding) Company Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006, together with the comparative figures, as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2006

	Notes	Six months ended	
		30 June 2006 HK\$'000 (Unaudited)	30 June 2005 HK\$'000 (Unaudited)
Revenue		607,943	536,113
Cost of sales		(456,236)	(445,712)
Gross profit		151,707	90,401
Investment income		3,286	1,102
Other income		5,230	5,185
Marketing and distribution costs		(29,079)	(35,678)
Research and development expenses		(11,194)	(11,860)
Administrative expenses		(41,466)	(42,476)
Other expenses		(2,381)	(2,852)
Finance costs		(1)	(7)
Profit before tax	5	76,102	3,815
Income tax expense	6	(5,880)	(1,830)
Profit for the period		70,222	1,985
Attributable to:			
Equity holders of the Company		68,689	2,358
Minority interests		1,533	(373)
		70,222	1,985
Dividends	7	21,658	25,273
Earnings per share	8		
— Basic		HK9.51 cents	HK0.33 cent
— Diluted		HK9.51 cents	N/A

Condensed Consolidated Balance Sheet

At 30 June 2006

		30 June 2006 <i>HK\$'000</i> (Unaudited)	31 December 2005 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	329,829	331,519
Investment properties	9	15,700	15,700
Prepaid lease payments		32,957	32,970
Intellectual property rights		24,523	25,677
Interest in an associate	10	8,100	—
Available-for-sale investments		4,104	4,052
Deferred tax assets		3,030	4,107
		418,243	414,025
Current assets			
Inventories		118,592	121,793
Trade and other receivables	11	211,165	184,766
Prepaid lease payments		849	870
Loan to an associate	12	—	8,100
Derivative financial instruments		402	504
Tax recoverable		664	702
Bank balances and cash		237,279	178,423
		568,951	495,158

Condensed Consolidated Balance Sheet *(continued)*

At 30 June 2006

		30 June 2006 <i>HK\$'000</i> (Unaudited)	31 December 2005 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	13	195,585	173,275
Tax liabilities		4,036	1,707
Loan from a minority shareholder		780	780
Derivative financial instruments		342	—
		200,743	175,762
Net current assets		368,208	319,396
		786,451	733,421
Capital and reserves			
Share capital		72,194	72,210
Reserves		687,834	636,199
Equity attributable to equity holders of the Company		760,028	708,409
Minority interests		18,454	16,921
Total equity		778,482	725,330
Non-current liability			
Deferred tax liabilities		7,969	8,091
		786,451	733,421

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Attributable to equity holders of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Statutory surplus reserve fund <i>HK\$'000</i>
At 1 January 2005	72,210	90,056	38,510	49,308	15,624
Exchange differences arising from translation of the financial statements of operations outside Hong Kong and income recognised directly in equity	—	—	—	—	—
Profit for the period	—	—	—	—	—
Total recognised income and expense for the period	—	—	—	—	—
Dividends	—	—	—	—	—
At 30 June 2005	72,210	90,056	38,510	49,308	15,624
Exchange differences arising from translation of the financial statements of operations outside Hong Kong	—	—	—	—	—
Revaluation surplus on buildings	—	—	—	9,872	—
Deferred tax liability arising on revaluation of properties	—	—	—	(280)	—
Net income recognised directly in equity	—	—	—	9,592	—
Profit for the period	—	—	—	—	—
Total recognised income and expense for the period	—	—	—	9,592	—
Transfer of statutory reserves	—	—	—	—	988
Dividends	—	—	—	—	—
At 31 December 2005	72,210	90,056	38,510	58,900	16,612

Attributable to equity holders of the Company

Enterprise expansion fund HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
1,067	435	1,131	—	452,103	720,444	16,812	737,256
—	382	—	—	—	382	—	382
—	—	—	—	2,358	2,358	(373)	1,985
—	382	—	—	2,358	2,740	(373)	2,367
—	—	—	—	(25,273)	(25,273)	(1,290)	(26,563)
1,067	817	1,131	—	429,188	697,911	15,149	713,060
—	4,941	—	—	—	4,941	—	4,941
—	—	—	—	—	9,872	—	9,872
—	—	—	—	—	(280)	—	(280)
—	4,941	—	—	—	14,533	—	14,533
—	—	—	—	6,797	6,797	1,772	8,569
—	4,941	—	—	6,797	21,330	1,772	23,102
—	—	—	—	(988)	—	—	—
—	—	—	—	(10,832)	(10,832)	—	(10,832)
1,067	5,758	1,131	—	424,165	708,409	16,921	725,330

Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 30 June 2006

	Attributable to equity holders of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Statutory surplus reserve fund <i>HK\$'000</i>
At 1 January 2006	72,210	90,056	38,510	58,900	16,612
Exchange differences arising from translation of the financial statements of operations outside Hong Kong and income recognised directly in equity	—	—	—	—	—
Profit for the period	—	—	—	—	—
Total recognised income and expense for the period	—	—	—	—	—
Shares repurchased and cancelled	(16)	—	—	—	—
Premium on repurchase of shares	—	(72)	—	—	—
Transfer of reserves for cancellation of shares	—	—	—	—	—
Employee share-based payment	—	—	—	—	—
Dividends	—	—	—	—	—
At 30 June 2006	72,194	89,984	38,510	58,900	16,612

Attributable to equity holders of the Company

Enterprise expansion fund <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
1,067	5,758	1,131	—	424,165	708,409	16,921	725,330
—	4,342	—	—	—	4,342	—	4,342
—	—	—	—	68,689	68,689	1,533	70,222
—	4,342	—	—	68,689	73,031	1,533	74,564
—	—	—	—	—	(16)	—	(16)
—	—	—	—	—	(72)	—	(72)
—	—	16	—	(16)	—	—	—
—	—	—	334	—	334	—	334
—	—	—	—	(21,658)	(21,658)	—	(21,658)
1,067	10,100	1,147	334	471,180	760,028	18,454	778,482

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months ended	
	30 June 2006 <i>HK\$'000</i> (Unaudited)	30 June 2005 <i>HK\$'000</i> (Unaudited)
Net cash from (used in) operating activities	90,769	(15,108)
Net cash used in investing activities	(9,270)	(5,052)
Net cash used in financing activities		
Dividend paid	(21,658)	(25,273)
Other financing cash flows	(89)	(1,289)
	(21,747)	(26,562)
Net increase (decrease) in cash and cash equivalents	59,752	(46,722)
Cash and cash equivalents at 1 January	178,423	175,559
Effect of foreign exchange rate changes	(896)	40
Cash and cash equivalents at 30 June, representing bank balances and cash	237,279	128,877

Notes to the Condensed Financial Statements

For the six months ended 30 June 2006

1. Basis of Preparation

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

2. Principal Accounting Policies

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2005.

In the current interim period, the Group has applied, for the first time, a number of Hong Kong Financial Reporting Standards (“HKFRS(s)”), amendments to Hong Kong Accounting Standards (“HKAS (Amendment(s))”) and Interpretations (HK(IFRIC) — INT(s)) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

3. Potential Impact Arising on the New Accounting Standards Not Yet Effective

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies” ²
HK(IFRIC) — INT 8	Scope of HKFRS 2 “Share-based payment” ³
HK(IFRIC) — INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

4. Segment Information

The Group's primary format for reporting segment information is business segment. An analysis of the Group's segment revenue and segment result for the period by business segment is as follows:

	Six months ended 30 June 2006		Six months ended 30 June 2005	
	External sales <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	External sales <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Strollers	287,830	33,839	267,015	3,215
Beds and playards	65,427	6,980	63,426	493
Miscellaneous infant products*	196,638	25,505	154,760	1,342
Others	58,048	6,835	50,912	522
	<u>607,943</u>	<u>73,159</u>	<u>536,113</u>	<u>5,572</u>
Investment income		3,286		1,102
Unallocated corporate expenses		<u>(343)</u>		<u>(2,859)</u>
Profit before tax		76,102		3,815
Income tax expense		<u>(5,880)</u>		<u>(1,830)</u>
Profit for the period		<u>70,222</u>		<u>1,985</u>

* Miscellaneous infant products include soft goods, car seats, high chairs, bouncers, walkers and etc.

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

	Six months ended	
	30 June 2006 <i>HK\$'000</i>	30 June 2005 <i>HK\$'000</i>
External sales:		
United States of America	282,500	262,592
Europe	155,142	150,265
Australia	19,720	24,625
South America	52,414	30,666
Others	98,167	67,965
	<u>607,943</u>	<u>536,113</u>

5. Profit Before Tax

	Six months ended	
	30 June	30 June
	2006	2005
	HK\$'000	HK\$'000
Profit before tax has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	16,464	15,619
Amortisation of intellectual property rights (included in other operating expenses)	2,039	2,685
Amortisation of prepaid lease payments	414	424
Interest on bank deposits	(2,402)	(606)

6. Income Tax Expense

	Six months ended	
	30 June	30 June
	2006	2005
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Taxation of the Company and its subsidiaries		
Current tax:		
– Hong Kong	2,863	2,824
– Other regions of the People's Republic of China (the "PRC")	1,930	277
– Other jurisdictions	149	143
	4,942	3,244
Deferred tax	938	(1,414)
	5,880	1,830

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 June 2005: 17.5%) of the estimated assessable profit for the period.

Taxation arising in the PRC and other jurisdictions is calculated at the applicable rates prevailing in the relevant jurisdictions.

7. Dividends

	Six months ended	
	30 June 2006 HK\$'000	30 June 2005 HK\$'000
2005 final dividend of HK3 cents (2004 final dividend: HK3.5 cents) per share	21,658	25,273

The directors have determined that an interim dividend of HK2.5 cents (six months ended 30 June 2005: HK1.5 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 12 October 2006.

8. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended	
	30 June 2006 HK\$'000	30 June 2005 HK\$'000
Profit for the period attributable to equity holders of the Company	68,689	2,358
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	722,046,735	722,096,724
Effect of dilutive potential ordinary shares in respect of share options	108,651	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	722,155,386	722,096,724

For the six months ended 30 June 2005, no diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for that period.

9. Property, Plant and Equipment and Investment Properties

During the period, the Group spent approximately HK\$12 million on acquisition of property, plant and equipment. There was no movement in investment properties.

At 30 June 2006, the directors have considered the carrying amount of the Group's buildings and investment properties carried at revalued amounts and fair values respectively and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit or fair values gains or losses has been recognised in the current period.

10. Interest in an Associate

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Share of net asset of an associate	8,100	—

During the period, the Group converted a loan to Weblink Technology Limited ("Weblink"), a company incorporated in the British Virgin Islands ("BVI"), of approximately HK\$8,100,000, net of impairment of HK\$3,600,000, into equity interest of that associate. The other shareholders of the associate also converted their loans in proportion to their respective shareholdings.

The interest in an associate at 30 June 2006 represents the Group's 30% equity interests in Weblink. The principal activity of Weblink is investment holding.

11. Trade and Other Receivables

The Group has defined credit terms which are agreed with its trade customers. Included in trade and other receivables at 30 June 2006 are trade receivables of approximately HK\$181,596,000 (31 December 2005: HK\$164,456,000) and their aged analysis is as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Within 30 days	102,801	88,899
31 to 90 days	66,669	47,292
Over 90 days	12,126	28,265
	181,596	164,456

12. Connected and Related Party Disclosures

During the period, the Group had transactions and/or balances with the directors and/or related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with them during the period, and balances with them at the balance sheet date, are as follows:

(a) Transactions with connected or related parties:

Name of party	Interested directors	Nature of transactions	Six months ended	
			30 June 2006 HK\$'000	30 June 2005 HK\$'000
好萊兒嬰兒用品有限公司	(note i)	Sales made by the Group	1,496	2,272
Yojin Industrial Corporation	Huang Ying Yuan Huang Chen Li Chu (note ii)	Rental expenses paid by the Group	293	350
Chen Chin Yuan	(note iii)	Rental expenses paid by the Group	45	44
Chen Hung Jung	(note iv)	Rental expenses paid by the Group	41	43

(b) Transactions with directors:

Name of director	Nature of transactions	Six months ended	
		30 June 2006 HK\$'000	30 June 2005 HK\$'000
Huang Ying Yuan	Rental expenses paid by the Group	104	107
Chen Hsing Shin	Rental expenses paid by the Group	104	107
Huang Chen Li Chu	Rental expenses paid by the Group	—	15

- (c) Other than the above, at 31 December 2005, the Group had a loan advanced to an associate of HK\$8,100,000, net of impairment of HK\$3,600,000. The loan was converted into equity interests of the associate during the period.
- (d) Compensation of key management personnel

The remuneration of directors as key management of the Group during the period was as follows:

	Six months ended	
	30 June 2006 HK\$'000	30 June 2005 HK\$'000
Short-term benefits	3,028	3,468
Post-employment benefits	28	32
	3,056	3,500

The remuneration of directors is decided by the directors, who are authorised by the shareholders having regard to the performance of the individuals and market trends.

Notes:

- i. 好萊兒嬰兒用品有限公司 is controlled by Huang Tien Cheng, who is a brother of Huang Ying Yuan.
- ii. Huang Ying Yuan and Huang Chen Li Chu have beneficial interests in Yojin Industrial Corporation.
- iii. Chen Chin Yuan is a brother of Chen Hsing Shin.
- iv. Chen Hung Jung is a brother of Huang Chen Li Chu.

13. Trade and Other Payables

Included in trade and other payables at 30 June 2006 are trade payables of approximately HK\$143,204,000 (31 December 2005: HK\$128,384,000) and their aged analysis is as follows:

	30 June 2006 <i>HK\$'000</i>	31 December 2005 <i>HK\$'000</i>
Within 30 days	58,979	53,892
31 to 90 days	78,591	51,010
Over 90 days	5,634	23,482
	143,204	128,384

14. Share Based Payment Transaction

Pursuant to the Company's share option scheme adopted on 30 May 2002 (the "2002 Scheme"), the Company's directors may grant options to employees, including the directors of the Company and its subsidiaries. On 14 February 2006, the Company has granted 8,000,000 share options to employees of the Company and its subsidiaries under the 2002 Scheme. Such share options have vesting period ranging from 11 months to 23 months. They have an exercise price of HK\$0.54 and can be exercised during the period from the respective vesting dates to 16 January 2011. The estimated fair value of the options on the grant date is approximately HK\$1,284,000, which is calculated using the Black-Scholes pricing model. The Group recognised approximately HK\$334,000 out of such amount in the income statement for the six months ended 30 June 2006.

15. Capital Commitment

At 31 December 2005, the Group had commitment of approximately HK\$106,000 to acquire property, plant and equipment. The Group had no such or other capital commitments at 30 June 2006.

Independent Review Report

Deloitte.

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TO THE BOARD OF DIRECTORS OF
LERADO GROUP (HOLDING) COMPANY LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 16.

Directors' responsibilities

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

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

Review work performed

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

Review conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

13 September 2006

Management Discussion and Analysis

Business review and outlook

The Group recorded consolidated revenue of HK\$607.9 million for the six months ended 30 June 2006, representing an increase of 13.4% over the same period last year. Profit attributable to equity holders amounted to HK\$68.7 million, compared with HK\$2.4 million in the first half of 2005, while basic earnings per share showed a corresponding increase from HK0.33 cent to HK9.51 cents.

The Group's operating pressure in regard to high rise in raw material prices has been released moderately as oil price is staying comparatively stable as compared with the past two years. Following the exercises in reviewing our customer mix and phasing out orders with extremely low margins which were mainly related to lower-end and older models, the Group has been successful in raising its overall gross margin from 16.9% for the six months ended 30 June 2005 to 25.0% of the same period this year.

With the allocation of more resources on research and development, the Group launched a series of new designs and had received warm acceptance from the market. This also contributed to the growth of revenue for the first half this year.

Sales to the Group's two core markets, the United States and Europe, showed an increase of 7.6% and 3.2%, reaching HK\$282.5 million and HK\$155.1 million respectively. Revenue from these two markets represented 46.5% and 25.5% of the Group's total revenue during the period under review.

On the product side, most categories are performing satisfactorily. Strollers, representing 47.3% of the Group's sales, recorded sales of HK\$287.8 million, an increase of 7.8% over the same period last year. Sales of miscellaneous infant products, which consist of products like high chairs, walkers, car seats and soft goods, increased by 27.1% to HK\$196.6 million and contributed to 32.3% of the Group's total revenue.

In the future months, the Group will still keep a close eye on the raw material markets and formulate necessary strategies to cope with the changes. In addition, the Group will strengthen its design capabilities, launching more innovative products as to strive for a bigger market share.

Liquidity and financial resources

As at 30 June 2006, the Group had total cash and bank balances of HK\$237.3 million (31 December 2005: HK\$178.4 million), mainly in US Dollars and Reminbi, and was free of bank borrowings. Accordingly, the Group's gearing ratio, expressed as total bank borrowings to shareholders' fund, is zero (31 December 2005: zero).

As at 30 June 2006, the Group had net current assets of HK\$368.2 million and maintained its current ratio at 2.8. For the six months ended 30 June 2006, trade receivable and inventory turnover were shortened to 52 days and 48 days, as compared with 59 days and 55 days respectively for the same period last year, while trade payable turnover decreased from 60 days to 54 days.

The directors believe that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

As at 30 June 2006, no asset of the Group was under charge.

Investments

As to support the initial development and operations of Weblink Technology Limited ("Weblink"), an associate of the Company, the shareholders of Weblink had loaned to Weblink since its incorporation in proportion to their respective shareholdings. In May 2006, each of the shareholders converted its entire loan into capital in Weblink. Immediately before the conversion, the carrying amount of the loan made by the Group as recorded in its balance sheet amounted to approximately HK\$8.1 million.

Except for mentioned above, no new investment was made during the six months ended 30 June 2006.

Exchange risk exposure and contingent liabilities

The sales of the Group are mainly denominated in US dollars and purchases are mainly in HK dollars, Renminbi, and New Taiwanese dollars. The Group does not foresee significant risk in exchange rate fluctuation.

As at 30 June 2006, the Group had no significant contingent liabilities.

Employees and remuneration policies

As at 30 June 2006, the Group employed a total workforce of around 6,000 staff members, of which above 5,900 worked in the PRC offices and production sites, above 100 in Taiwan mainly for marketing, sales support and research and development, and 13 in Hong Kong mainly for finance and administration.

Apart from basic salaries, discretionary bonus and contribution to retirement benefits scheme, share options may also be granted to staff with reference to the individual's performance.

Interim Dividend

The Board has declared an interim dividend of HK2.5 cents per share in cash for the six months ended 30 June 2006 to shareholders whose names appear on the Register of Members of the Company on 12 October 2006. It is expected that the dividend warrants will be sent to the Shareholders no later than 26 October 2006.

Closure of Register of Members

The Register of Members of the Company will be closed from 10 to 12 October 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 9 October 2006.

Purchase, Sale or Redemption of Shares

During the period, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	Paid <i>HK\$'000</i>
May 2006	<u>156,000</u>	<u>0.56</u>	<u>0.55</u>	<u>87</u>

Directors' Interests in Securities

At 30 June 2006, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (“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”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Number of shares held as			Approximate % of the issued share capital	Share options
	Beneficial owner	Other interests	Total		
Mr. Huang Ying Yuan	104,153,360	Spouse interest of 43,336,180 <i>(Note 1)</i>	147,489,540	20.4	7,000,000 <i>(Note 2)</i>
Mr. Chen Hsing Shin	96,805,800	—	96,805,800	13.4	3,500,000
Madam Huang Chen Li Chu	43,336,180	Spouse interest of 104,153,360 <i>(Note 1)</i>	147,489,540	20.4	7,000,000 <i>(Note 3)</i>
Mr. Leung Man Fai	—	—	—	—	2,500,000

Notes:

1. The spouse interest represents the shares held by the spouse of Mr. Huang Ying Yuan and Madam Huang Chen Li Chu respectively. Madam Huang Chen Li Chu is the wife of Mr. Huang Ying Yuan.
2. It represents 4,000,000 share options beneficially owned by Mr. Huang Ying Yuan and 3,000,000 share options held by the spouse of him.
3. It represents 3,000,000 options beneficially owned by Madam Huang Chen Li Chu and 4,000,000 share options held by the spouse of her.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations, which were recorded in the register as required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Share Options

The following table discloses movements in the Company's share options during the six months ended 30 June 2006:

	Date of grant	Number of shares subject to share options			
		Outstanding at 1 January 2006	Granted during the period	Lapsed during at the period	Outstanding at 30 June 2006
Category 1: Directors					
Mr. Huang Ying Yuan	18 August 1999	4,000,000	—	—	4,000,000
Mr. Chen Hsing Shin	18 August 1999	3,500,000	—	—	3,500,000
Madam Huang Chen Li Chu	18 August 1999	3,000,000	—	—	3,000,000
Mr. Leung Man Fai	18 August 1999	2,500,000	—	—	2,500,000
Total for directors		13,000,000	—	—	13,000,000
Category 2: Employees					
Total for employees	14 February 2006	—	8,000,000	(186,000)	7,814,000
Total for all categories		13,000,000	8,000,000	(186,000)	20,814,000

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price <i>HK\$</i>
18 August 1999	6 months	1 January 2000 — 17 August 2009	1.26
14 February 2006	11-23 months	17 January 2007 — 16 January 2011	0.54

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long position in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Approximate % of the issued share capital
Allianz Aktiengesellschaft	Corporate interest (<i>Note 1</i>)	59,238,000	8.2%
Dresdner Bank Aktiengesellschaft	Corporate interest (<i>Note 1</i>)	59,238,000	8.2%
Veer Palthe Voute NV	Investment manager (<i>Note 1</i>)	59,238,000	8.2%
OCM Emerging Markets Funds, LP	Beneficial owner	38,122,000	5.3%
Mr. David Michael Webb	(<i>Note 2</i>)	36,742,000	5.1%
Mr. Chen An-Hsin	Corporate interest (<i>Note 3</i>)	36,689,675	5.1%
Gold Field Business Ltd.	Beneficial owner (<i>Note 3</i>)	36,689,675	5.1%

Notes:

1. Veer Palthe Voute NV is 100% indirectly owned by Dresdner Bank Aktiengesellschaft, which is in turn 81.1% indirectly owned by Allianz Aktiengesellschaft.
2. Mr. David Michael Webb beneficially owns 5,110,000 shares, and in addition, he holds 31,632,000 shares through Preferable Situation Assets Limited, which is 100% directly owned by him.
3. Mr. Chen An Hsin owns the entire interest of Gold Field Business Ltd.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2006.

Code on Corporate Governance Practices

Throughout the six months ended 30 June 2006, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2006.

Review of Interim Financial Statements

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the unaudited interim financial statements, the accounting principles and practices adopted by the Group.

By order of the Board
Huang Ying Yuan
Chairman

13 September 2006