珠江船務發展有限公司
Chu Kong Shipping Development Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 560)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2007

CHAIRMAN'S STATEMENT

For the six months ended 30th June 2007, the Company and its subsidiaries (the "Group") recorded a consolidated turnover of HK$402,269,000, representing a 0.5% decrease as compared with the prior period. Profit attributable to equity holders of the Company amounted to HK$63,802,000, representing an increase of 12.7% over the prior period.

DIVIDENDS

The Board of Directors has declared an interim dividend of HK$0.01 (2006: HK$0.01) per ordinary share for the year ended 31st December 2007 and a special dividend of HK$0.01 (2006: 0) per ordinary share to the equity holders whose names appear on the Register on 15th October 2007.

REVIEW AND OUTLOOK

During the period, the fluctuated international financial market, the US "subprime mortgage" crisis and the carry trade of Japanese Yen caused volatility in the global capital markets. Mainland China introduced macro-economic control measures to cool down the overheated economy, while crude oil prices hovered at a high level, all these factors brought great pressure on the operations of the Group. However, with the support of the world's processing and manufacturing center in the Pearl River Delta and the world's shipping hub in Hong Kong, coupled with enhanced internal management and operating efficiency, the Group still recorded remarkable growth.

In May 2007, the Company successfully placed 150,000,000 shares by way of top-up placing and raised approximately HK$313,577,000. It was the first capital change of the Company since its listing in 1997, which raised valuable funds for development, improved the shareholding structure of the Company, increased the public float of shares, and uplifted the interest and confidence of institutional investors towards the Company.

Adapting to the continuous development of containers transit hubs in South China, the Group actively accelerated the river-sea union transportation port projects in Guangzhou Nansha and Shenzhen Da Chan Bay, so as to create the "Second Seaside Port". Under the concerted efforts of the Group, a letter of intent to jointly build the Guangzhou Nansha river-sea union transportation port was entered into between the Company and Nansha Assets Operation Co., Ltd. in March this year. A strategic alliance framework agreement was signed between the Company and Shenzhen Communications Bureau. The framework agreement was beneficial to the Group's investment and establishment of the river-sea union transportation port in Shenzhen Da Chan Bay.

Guided by the principle of maximising the shareholders' interest, the Group continues to improve corporate governance and transparency, endeavour to enhance internal management, and facilitate the progress of strategic projects so as to provide satisfactory returns to the shareholders.

RELATION WITH INVESTORS

The Company has appointed Strategic Financial Relations (China) Limited, an experienced professional financial service provider, as our investor relationship advisor to help improve the communication efficiency with our investors. The website of our Group (www.cksd.com) is one of the important channels to provide timely information for the market.

APPRECIATION

Finally, the Board of Directors would like to take this opportunity to express its sincere gratitude to all our staff for their efforts and contributions to the Group, as well as all shareholders for their continuous trust and support to the Group's development.

Hua Honglin
Chairman

Hong Kong, 13th September 2007

2007 INTERIM RESULTS

INTERIM RESULTS

The Board of Directors of Chu Kong Shipping Development Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2007, together with the comparative figures as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	3	**402,269**	404,145
Cost of services rendered	4	**(342,553)**	(343,692)
Gross profit		**59,716**	60,453
Other income		**3,064**	597
Other gains – net	5	**10,169**	2,812
General and administrative expenses	4	**(47,439)**	(39,014)
Operating profit		**25,510**	24,848
Finance income		**6,627**	4,034
Share of profits less losses of jointly controlled entities		**36,789**	31,872
Profit before tax		**68,926**	60,754
Income tax expense	6	**(5,225)**	(4,225)
Profit for the period		**63,701**	56,529
Attributable to:			
Equity holders		**63,802**	56,627
Minority interests		**(101)**	(98)
		63,701	56,529
Interim dividend	7	**9,000**	7,500
Special dividend		**9,000**	0
Earnings per share (HK cents)	8		
Basic		**8.23**	7.55
Diluted		**8.23**	7.47

UNAUDITED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2007

	Note	As at 30th June 2007 HK$'000	As at 31st December 2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**199,913**	184,203
Investment properties		**4,765**	4,817
Leasehold land and land use rights		**305,493**	306,308
Intangible assets-goodwill		**16,722**	16,304
Jointly controlled entities		**408,464**	383,055
Deferred tax assets		**96**	96
		935,453	894,783
Current assets			
Trade and other receivables	*9*	**248,646**	191,058
Cash and bank balances		**628,343**	348,991
		876,989	540,049
Total assets		**1,812,442**	1,434,832

	Note	As at 30th June 2007 HK$'000	As at 31st December 2006 HK$'000
EQUITY			
Share capital		**90,000**	75,000
Reserves		**1,472,612**	1,099,334
Final dividend proposed		**–**	37,500
		1,562,612	1,211,834
Minority interests		**2,101**	2,202
Total equity		**1,564,713**	1,214,036
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**5,858**	4,594
Current liabilities			
Trade and other payables	*10*	**237,563**	214,530
Tax liabilities		**4,308**	1,672
		241,871	216,202
Total liabilities		**247,729**	220,796
Total equity and liabilities		**1,812,442**	1,434,832
Net current assets		**635,118**	323,847
Total assets less current liabilities		**1,570,571**	1,218,630

NOTES

1 BASIS OF PREPARATION

The interim financial information for the six months ended 30th June 2007 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial information should be read in conjunction with the 2006 annual financial statements.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2006.

The following new standards, amendments to standards and interpretations which are relevant to the Group's operations and are mandatory for the financial year ending 31st December 2007:

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the above new standard, amendment to standard and interpretations does not have material impact to the Group's principal accounting policies or presentation of financial statements except that additional disclosures will be made in the 2007 annual financial statements.

The following new or revised standards and interpretations have been issued but are not effective for 2007 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1st March 2007
HK(IFRIC) – Int 12	Service Concession Arrangements	1st January 2008
HKFRS 8	Operating Segments	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has already commenced an assessment of the related impact of adopting the above new or revised standards and interpretations to the Group but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3 SEGMENT INFORMATION

The Group and its jointly controlled entities are organised into four main business segments:

(i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transhipment

(ii) Cargo handling and storage – Wharf cargo handling, cargo consolidation and godown storage

(iii) Container hauling and trucking

(iv) Expressway operation

3 SEGMENT INFORMATION *(Continued)*

Business segments

	Six months ended 30th June 2007					
	Cargo transportation *HK$'000*	Cargo handling and storage *HK$'000*	Container hauling and trucking *HK$'000*	Expressway operation *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue						
– external	352,429	49,110	730	–	–	402,269
– intersegments	42	33,266	27,441	–	(60,749)	–
Other income						
– external	42	2,789	–	–	–	2,831
– intersegments	–	253	–	–	(253)	–
Total	352,513	85,418	28,171	–	(61,002)	405,100
Segment results	3,431	14,617	4,180	–	–	22,228
Unallocated income						9,030
Unallocated expenses						(5,748)
Operating profit						25,510
Financial income						6,627
Share of profits less losses of jointly controlled entities	553	9,470	955	25,811	–	36,789
Profit before tax						68,926
Income tax expense						(5,225)
Profit for the period						63,701
Capital expenditure						
– allocated	5,502	10,708	6,407	–	–	22,617
– unallocated						5
						22,622
Depreciation and amortisation						
– allocated	2,088	9,343	666	–	–	12,097
– unallocated						514
						12,611

3 SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Six months ended 30th June 2006					
	Cargo transportation *HK$'000*	Cargo handling and storage *HK$'000*	Container hauling and trucking *HK$'000*	Expressway operation *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
Revenue						
– external	363,740	40,007	398	–	–	404,145
– intersegments	11	35,812	30,543	–	(66,366)	–
Other income						
– external	50	143	–	–	–	193
– intersegments	–	253	–	–	(253)	–
Total	363,801	76,215	30,941	–	(66,619)	404,338
Segment results	3,432	20,049	3,500	–	–	26,981
Unallocated income						2,740
Unallocated expenses						(4,873)
Operating profit						24,848
Finance income						4,034
Share of profits less losses of jointly controlled entities	(59)	7,359	572	24,000	–	31,872
Profit before tax						60,754
Income tax expense						(4,225)
Profit for the period						56,529
Capital expenditure						
– allocated	740	8,810	266	–	–	9,816
– unallocated						9
						9,825
Depreciation and amortisation						
– allocated	1,970	7,123	289	–	–	9,382
– unallocated						493
						9,875

3 SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Cargo transportation *HK$'000*	Cargo handling and storage *HK$'000*	Containers hauling and trucking *HK$'000*	Expressway operation *HK$'000*	Unallocated *HK$'000*	Elimination *HK$'000*	Group *HK$'000*
As at 30th June 2007							
Assets	233,345	531,094	38,953	–	604,206	(37,873)	1,369,725
Jointly controlled entities	51,935	181,742	18,392	190,648	–	–	442,717
Total assets	285,280	712,836	57,345	190,648	604,206	(37,873)	1,812,442
Total liabilities	223,519	33,570	11,825	–	16,688	(37,873)	247,729
As at 31st December 2006							
Assets	206,863	500,172	38,847	–	312,072	(37,452)	1,020,502
Jointly controlled entities	46,737	176,805	19,375	171,413	–	–	414,330
Total assets	253,600	676,977	58,222	171,413	312,072	(37,452)	1,434,832
Total liabilities	190,456	31,446	16,781	–	19,565	(37,452)	220,796

3 SEGMENT INFORMATION *(Continued)*

Geographical segments

The analysis of the Group's total assets and capital expenditure by geographical segments is as follows:

	Total assets		Capital expenditure	
	As at 30th June 2007	As at 31st December 2006	**Six months ended 30th June 2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,113,740**	822,308	**15,351**	2,503
Mainland China	**255,985**	198,194	**7,271**	7,322
	1,369,725	1,020,502	**22,622**	9,825
Jointly controlled entities	**442,717**	414,330		
	1,812,442	1,434,832		

Over 90% of the Group's revenue is derived from operations carried out in Hong Kong and customers are located in Mainland China and Hong Kong. The directors consider that it is impracticable to allocate the revenue and segment results to geographical segments.

4 COSTS AND EXPENSES BY NATURE

	2007	2006
	HK$'000	*HK$'000*
Amortisation of leasehold land and land use rights	**3,540**	3,185
Costs of cargo transportation, handling, storage, container hauling and trucking	**265,673**	283,849
Depreciation of property, plant and equipment	**9,019**	6,638
Depreciation of investment properties	**52**	52
Operating lease rental expenses		
– vessels and barges	**42,811**	30,124
– buildings	**5,768**	2,746
Staff costs (including directors' emoluments)	**45,043**	42,115
Others	**18,086**	13,997
Total costs of services rendered and general and administrative expenses	**389,992**	382,706

5 OTHER GAINS – NET

	2007	2006
	HK$'000	*HK$'000*
Exchange gains, net	**9,522**	2,675
Gain on disposal of property, plant and equipment	**299**	176
Others	**506**	–
Provision for impairment of trade receivables, net	**(158)**	(39)
	10,169	2,812

6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. PRC enterprise income tax has been calculated on the estimated assessable profit for the current and prior periods at the applicable rates of taxation.

	2007	2006
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**3,208**	3,518
PRC enterprise income tax	**753**	631
Deferred tax	**1,264**	76
	5,225	4,225

7 DIVIDENDS

On 13th September 2007, the board of directors declared an interim dividend of HK$0.01 (2006: HK$0.01) per ordinary share and a special dividend of HK$0.01 (2006: 0) per ordinary share for the year ended 31st December 2007. This proposed dividend is not reflected as dividend payable in this interim financial information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2007.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2007	2006
Profit attributable to equity holders (HK$'000)	**63,802**	56,627
Weighted average number of ordinary shares in issue (thousands)	**775,000**	750,000
Basic earnings per share (HK cents)	**8.23**	7.55

8 EARNINGS PER SHARE *(Continued)*

The diluted earnings per share for the six months ended 30th June 2007 equals to the basic earnings per share as there are no potential dilutive ordinary shares during the period.

In 2006, diluted earnings per share was calculated based on the profit attributable to equity holders of HK$56,627,000 and 750,000,000 ordinary shares in issue during the period after adjusting for 8,315,000 ordinary shares deemed to be issued at no consideration as if all outstanding share options granted by the Company had been exercised.

9 TRADE AND OTHER RECEIVABLES

The normal credit periods granted by the Group to customers on open accounts range from seven days to three months from the date of invoice. The ageing analysis of the trade receivables is as follows:

	As at 30th June 2007 *HK$'000*	As at 31st December 2006 *HK$'000*
Within 3 months	**136,338**	117,348
4 to 6 months	**13,350**	7,004
7 to 12 months	**1,660**	537
Over 12 months	**2,798**	3,855
	154,146	128,744
Less: Provision	**(2,498)**	(3,615)
	151,648	125,129

10 TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	As at 30th June 2007 *HK$'000*	As at 31st December 2006 *HK$'000*
Within 3 months	**130,609**	106,633
4 to 6 months	**21,115**	27,283
7 to 12 months	**5,739**	6,443
Over 12 months	**5,970**	5,454
	163,433	145,813

11 CAPITAL COMMITMENTS

	As at 30th June 2007 *HK$'000*	As at 31st December 2006 *HK$'000*
Contracted but not provided for in respect of:		
– Property, plant and equipment	**1,580**	2,226
Authorised but not contracted for in respect of:		
– Investments in a jointly controlled entity	**–**	756
– Property, plant and equipment	**17,454**	–
	17,454	756
	19,034	2,982

11 CAPITAL COMMITMENTS *(Continued)*

The Group's share of capital commitments of the jointly controlled entities themselves not included in the above is as follows:

	As at 30th June 2007 *HK$'000*	As at 31st December 2006 *HK$'000*
Contracted but not provided for	**87,018**	4,575
Authorised but not contracted for	**2,131**	83,595
	89,149	88,170

The Group did not have any material contingent liabilities as at 30th June 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the six months ended 30th June 2007, the Company and its subsidiaries (the "Group") recorded a consolidated turnover of HK$402,269,000, representing a 0.5% decrease as compared with the prior period. Profit attributable to equity holders of the Company amounted to HK$63,802,000, representing an increase of 12.7% over the prior period.

During the year, despite the difficulties of intense market competition and soaring operating costs, the Group recorded an increase in cargo volume by enhancing the cooperation with large shipping companies and strengthening the marketing efforts. The container transportation volume, wharf container handling volume and break bulk cargoes handling volume increased 27.0%, 15.2% and 52.3% respectively. During the period, the Group's investment business in jointly controlled entities generally remained as an impressive profit contributor, representing an increase of 15.4% as compared against the same period last year, it was a key attribute for the growth in profit attributable to shareholders of the Company during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

1. *River trade transportation business*

Benefiting from the stable economic growth in the region and further improvement of the Group's marketing network between Guangdong and Hong Kong, the Group recorded an increase in the business indicators during the period. Performance statistics of our major indicators are as follows:

	For the six months ended 30th June		
Indicators	**2007**	2006	Change
Container transportation volume (TEU)	**388,836**	306,070	27.0%
Import and export of shipping agencies business (voyages)	**9,766**	10,689	-8.6%
Container handling volume (TEU)	**218,651**	189,759	15.2%
Volume of container hauling and trucking on land (TEU)	**71,649**	79,763	-10.2%
Volume of break bulk cargoes handled (tons)	**347,687**	228,289	52.3%

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

2. *Investment business*

Affected by the road extention project, Guangzhou-Foshan Expressway Ltd. only recorded an increase of 1.1% in traffic volume in the first half of 2007 as compared with the corresponding period of last year. As a result, toll income increased by 1.1% and profit attributable to the Group increased by 7.5%.

Foshan New Port Ltd. has been actively sourcing more types of goods for handling and the trade volume for the year grew by 16.9% accordingly. The Group's share of profit increased substantially by 89.4%. Yantian Port Zhujiang Logistics Company Limited explored integrated logistics service and expanded its customer base. As a result, the Group's share of profit increased substantially by 66.9%. Foshan Nankong Terminal Co., Ltd. has been qualified as a public warehouse last year and the trade volume for the year grew by 48.4%. Hekong Associated Forwarding Co., Ltd returned to profit in the first half of the year after reorganization and contributed profit of HK$276,000 to the Group. The expansion work of Chu Kong Cargo Terminals (Beicun) Co., Ltd. was completed in October 2006 and the new container handling business has commenced full operation and recorded a trade volume of 6,109 TEU for the first half of the year. Due to the impact of the custom policy the trade volume of Sanshui Sangang Container Terminal Co., Ltd. dropped and the container handling volume recorded a significant decrease of 25.7%.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

2. Investment business (Continued)

Chu Kong Air-Sea Union Transportation Co., Ltd. ("Air-Sea Terminals"), of which 51% equity interest held by the Company, reported a significant increase in results by transforming the operating concept, exploring into new business segments and cooperating with major international logistics companies such as DHL. In the first half of 2007, Air-Sea Terminals posted a 36.7% and 7.4% growth in its break bulk handling volume and container handling volume respectively. Together with effective cost controls, profit attributable to the Company from Air-Sea Terminals increased by HK$1,320,000.

During the period, Guangdong Zhu Chuan Navigation Co., Ltd. built two container vessels, each with a capacity of 1,600 tons, with a total cost of RMB9,600,000, and improved the loading capacity of the fleet and further enhanced the operating efficiency and overall competitiveness.

In August 2007, Zhaoqing Chu Kong Logistics (Da Wang) Co., Ltd. has obtained the approval from the People's Government of Port Office, Guangdong Province for the operation of inspection center for outbound cargo vehicles and preliminary work has been fully commenced. In addition, Zhaoqing Chu Kong Cargo Terminals (Da Wang) Co., Ltd. has been assisting the relevant local government departments to apply for the qualification as a category-2 port.

On 30th March 2007, Zhaoqing Chu Kong Logistics (Gao Yao) Co., Ltd. acquired certain operating assets and land use rights located at Gaoyao Port by auction at a consideration of RMB12,890,000.

REVIEW OF OPERATIONS

2. *Investment business (Continued)*

On 13th March 2007, the Company entered into a "letter of intent of project cooperation for jointly construction of the Guangzhou Nansha river-sea union transportation wharf" with Nansha Assets Operation Co., Ltd., for the investment and construction of a river and sea union transportation wharf in Nansha. The wharf is situated on the west side of Nansha Development Zone Long Xue Island Trade Free Logistics Center and on the east bank of the waterway of Long Xue Island. We are negotiating details of cooperation with the relevant parties at the moment.

A "strategic alliance framework agreement" was entered into between the Company and Shenzhen Communications Bureau on 17th July 2007, under which the two parties will form a strategic alliance to invest in building a river-sea union transportation port and logistics development zone in Shenzhen Da Chan Bay and providing public feeder service, etc. We are negotiating details of cooperation with the relevant parties at the moment.

The other joint ventures of the Group performed well during the period with no abnormality.

EMPLOYEES

As at 30th June 2007, the Company employed 328 employees in Hong Kong and remunerated its employees according to the duty of their positions and market condition. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 17th May 2007, the Company approved the placing of 150,000,000 shares at HK$2.15 per share by way of top-up placing and raised net proceeds approximately of HK$313,577,000. The shares in issue of the Company increased from 750,000,000 shares to 900,000,000 shares. The shareholding of Chu Kong Shipping Enterprises (Holdings) Company Limited, the majority shareholder, reduced to 62.5% from 75%.

Apart from the top-up placement noted above, the Company has not redeem any of its listed shares during the period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group keeps close track of its working capital and financial resources in an effort to maintain a solid financial position. As at 30th June 2007, the Group secured a total credit limit of HK$4,090,000 granted by bona fide banks.

As at 30th June 2007, the current ratio of the Group, represented by current assets to current liabilities, was 3.63 (31st December 2006: 2.50) and the debt ratio, represented by total liabilities to total assets, was 13.7% (31st December 2006: 15.4%).

As at 30th June 2007, the Group's bank balances and cash amounted to HK$628,343,000 (31st December 2006: HK$348,991,000), which represents 34.7% (31st December 2006: 24.3%) of the total assets.

Taking into account its bank balances and cash, cash flow from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for business expansion and future development.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED'S WEBSITE

The interim report of the Company for the six months ended 30th June 2007 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the websites of the SEHK and the Company (www.cksd.com) in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 16th October 2007 to Thursday, 18th October 2007, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on Monday, 15th October 2007 for registration. Interim dividend will be payable on or before 30th October 2007.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee has reviewed the unaudited interim financial information for the six months ended 30th June 2007.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard of corporate governance. In the opinion of the directors, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the accounting period covered by this interim report, except that independent non-executive directors of the Company are not appointed for specific terms. They are subject to retirement by rotation at the Company's annual general meeting in accordance with the provisions of the Company's Articles of Association.

The Company has established the Remuneration Committee comprising most of the independent non-executive directors. Mr. Chan Kay Cheung, an independent non-executive director, was appointed as the Chairman, and the company secretary was appointed as secretary of the Remuneration Committee.

The Chairman and chief executive officer of the Company are different person, with written terms clearly stating their respective duties.

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Directors have complied with such code of conduct throughout the accounting period covered by the interim report.

DIRECTORS

As at the date of this announcement, the Company's executive directors include Mr. Hua Honglin, Mr. Yang Rixiang and Mr. Huang Shuping; and independent non-executive directors include Mr. Chan Kay Cheung, Mr. Choi Kim-Lui and Ms. Yau Lai Man.

By Order of the Board
Yang Rixiang
Managing Director

Hong Kong, 13th September 2007