



**PME GROUP LIMITED**

**必美宜集團有限公司**

(incorporated in the Cayman Islands with limited liability)

Stock Code : 379



經驗五十載

齊創新未來

Interim Report

2007

## CONDENSED CONSOLIDATED INCOME STATEMENT

The Board of Directors (the “Board”) of PME Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (the “Period”) and the comparative figures for the corresponding period in 2006 as follows:

	<i>Notes</i>	<b>Six months ended 30 June 2007 (Unaudited) HK\$'000</b>	<b>2006 (Unaudited) HK\$'000</b>
Turnover	3	<b>79,234</b>	74,749
Cost of sales		<b>(55,950)</b>	(55,114)
Gross profit		<b>23,284</b>	19,635
Other income		<b>1,455</b>	1,036
Selling and distribution expenses		<b>(8,238)</b>	(6,464)
Administrative expenses		<b>(12,950)</b>	(11,665)
Loss on disposals of available-for-sale investments		–	(259)
Finance costs	4	<b>(625)</b>	(660)
Profit before taxation	5	<b>2,926</b>	1,623
Taxation	6	<b>(903)</b>	(585)
Profit for the Period		<b>2,023</b>	1,038
Attributable to:			
Equity holders of the Company		<b>2,070</b>	1,052
Minority interests		<b>(47)</b>	(14)
		<b>2,023</b>	1,038
Dividend	7	–	316
Earnings per share	8		
– Basic		<b>HK 0.20 cent</b>	HK 0.11 cent
– Diluted		<b>HK 0.19 cent</b>	HK 0.11 cent

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>121,666</b>	122,499
Prepaid lease payments		<b>10,090</b>	10,214
Deposits placed with an insurer		<b>3,559</b>	3,559
Club debentures		<b>350</b>	350
		<b>135,665</b>	136,622
<b>Current assets</b>			
Inventories		<b>39,187</b>	27,672
Debtors, deposits and prepayments	9	<b>91,728</b>	76,732
Loan receivables		<b>6,700</b>	7,400
Prepaid lease payments		<b>249</b>	249
Taxation recoverable		<b>1,480</b>	940
Bank balances and cash		<b>84,060</b>	25,704
		<b>223,404</b>	138,697
<b>Current liabilities</b>			
Creditors and accruals	10	<b>11,224</b>	10,671
Taxation payable		<b>1,456</b>	682
Obligations under a finance lease		–	61
Bank borrowings		<b>16,473</b>	19,467
		<b>29,153</b>	30,881
<b>Net current assets</b>			
		<b>194,251</b>	107,816
<b>Total assets less current liabilities</b>			
		<b>329,916</b>	244,438
<b>Non-current liabilities</b>			
Deferred taxation		<b>3,604</b>	3,604
		<b>326,312</b>	240,834
<b>Capital and reserves</b>			
Share capital	11	<b>12,996</b>	9,580
Share premium and reserves		<b>309,117</b>	230,999
Equity attributable to equity holders of the Company		<b>322,113</b>	240,579
Minority interests		<b>4,199</b>	255
		<b>326,312</b>	240,834

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital	Share premium	Special reserve	Translation reserve	Warrant reserve	Property revaluation reserve	Investment revaluation reserve	Retained profits	Total	Minority interests	Total
			(note)	reserve	reserve	reserve	reserve	reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007 (Audited)	9,580	202,296	(38,581)	2,960	-	4,473	-	59,851	240,579	255	240,834
Exchange difference arising on translation of foreign operations	-	-	-	(17)	-	-	-	-	(17)	-	(17)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	3,991	3,991
Share issued at premium from placing on 16 April 2007	1,916	31,039	-	-	-	-	-	-	32,955	-	32,955
Share issue expenses for placing on 16 April 2007	-	(792)	-	-	-	-	-	-	(792)	-	(792)
Proceeds from issue of warrants on 20 June 2007	-	-	-	-	10,120	-	-	-	10,120	-	10,120
Expenses on issue of warrants	-	-	-	-	(302)	-	-	-	(302)	-	(302)
Share issue at premium from exercises of warrants	1,500	42,694	-	-	(6,694)	-	-	-	37,500	-	37,500
Profit for the Period	-	-	-	-	-	-	-	2,070	2,070	(47)	2,023
<b>At 30 June 2007 (Unaudited)</b>	<b>12,996</b>	<b>275,237</b>	<b>(38,581)</b>	<b>2,943</b>	<b>3,124</b>	<b>4,473</b>	<b>-</b>	<b>61,921</b>	<b>322,113</b>	<b>4,199</b>	<b>326,312</b>
At 1 January 2006 (Audited)	9,580	202,296	(38,581)	1,022	-	6,456	(642)	55,621	235,752	248	236,000
Written back on disposals	-	-	-	-	-	-	642	-	642	-	642
Dividend paid	-	-	-	-	-	-	-	(958)	(958)	-	(958)
Profit for the period	-	-	-	-	-	-	-	1,052	1,052	(14)	1,038
<b>At 30 June 2006 (Unaudited)</b>	<b>9,580</b>	<b>202,296</b>	<b>(38,581)</b>	<b>1,022</b>	<b>-</b>	<b>6,456</b>	<b>-</b>	<b>55,715</b>	<b>236,488</b>	<b>234</b>	<b>236,722</b>

*Note:* Special reserve represented the difference between the nominal amount of the share capital issued by PME International (BVI) Company Limited, the then holding company of the Group, and the aggregate of the nominal amount of the issued share capital and other reserves accounts of the subsidiaries which was acquired by PME International (BVI) Company Limited pursuant to the group reorganisation carried out in 1997.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 June</b>	
	<b>2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2006 (Unaudited) HK\$'000
Net cash outflow from operating activities	<b>(23,669)</b>	(14,305)
Net cash outflow from investing activities	<b>(398)</b>	(956)
Net cash inflow from financing activities	<b>82,423</b>	8,553
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>58,356</b>	(6,708)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>25,704</b>	24,901
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>84,060</b>	18,193
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>84,060</b>	18,264
Bank overdraft	–	(71)
	<b>84,060</b>	18,193

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

## 2. ACCOUNTING POLICIES

The unaudited interim condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s audited financial statements for the year ended 31 December 2006 except as described below.

In the current interim period, the Group has applied, for the first time, new standard, amendment and interpretations (“new HKFRSs”) issued by HKICPA, which are effective for the Group’s financial year beginning 1 January 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENTAL INFORMATION

The analysis of the turnover and segment result of the Group by operating divisions during the Period are as follows:

	Turnover		Segment result	
	Six months ended 30 June			
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Operating divisions</b>				
Manufacturing	<b>40,789</b>	32,236	<b>2,246</b>	913
Trading	<b>34,735</b>	39,583	<b>691</b>	98
Technical services	<b>3,710</b>	2,930	<b>649</b>	495
	<b>79,234</b>	74,749	<b>3,586</b>	1,506
Unallocated corporate expenses			<b>(1,490)</b>	–
Other income			<b>1,455</b>	1,036
Loss on disposals of available-for-sale investments			–	(259)
Finance costs			<b>(625)</b>	(660)
Profit before taxation			<b>2,926</b>	1,623

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENTAL INFORMATION (Continued)

The Group's operations are located in Hong Kong and Mainland China. The Group's trading division is mainly located in Hong Kong. Manufacturing and technical services are carried out in Mainland China.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of customers:

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<i>HK\$'000</i>
Hong Kong	<b>32,017</b>	33,334
Mainland China	<b>43,190</b>	35,009
Other Asian regions	<b>2,927</b>	5,323
North America and Europe	<b>289</b>	587
Other countries	<b>811</b>	496
	<b>79,234</b>	74,749

### 4. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<i>HK\$'000</i>
Interest on bank overdrafts and bank borrowings wholly repayable within five years	<b>625</b>	646
Interest on finance lease	-	14
	<b>625</b>	660



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. PROFIT BEFORE TAXATION

	<b>Six months ended 30 June</b>	
	<b>2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2006 (Unaudited) HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	<b>3,517</b>	2,721
Release of prepaid lease payments	<b>124</b>	122
Cost of inventories sold	<b>55,950</b>	55,114
Loss on disposals of available-for-sale investments	–	259

### 6. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2007</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2006 (Unaudited) HK\$'000
The charge comprises:		
Current tax		
– Hong Kong	<b>903</b>	171
– Other regions in the PRC	–	70
	<b>903</b>	241
Deferred taxation		
– Current	–	344
	<b>903</b>	585

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods.

In accordance with the relevant tax laws and regulations of the People's Republic of China ("PRC"), the PRC subsidiary is exempted from Enterprise Income Tax ("EIT") for two years starting from its first profit making year after utilisation of carried forward tax losses and is eligible for a 50% relief on the EIT in the following three years. 2003 is the first profit making year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. DIVIDEND

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividend: Nil (2006: HK0.033 cent)	–	316

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2007.

### 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	<b>2,070</b>	1,052
Number of shares:		
Weighted average number of ordinary shares of the purpose of calculating basic earnings per share	<b>1,041,765,746</b>	958,000,000
Effect of dilutive potential ordinary shares arising from share warrant outstanding	<b>22,185,792</b>	–
Weighted average number of ordinary shares of diluted earnings per share	<b>1,063,951,538</b>	958,000,000

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period of 60 to 90 days to its trade debtors. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The aged analysis of the trade debtors of HK\$65,141,000 (31 December 2006: HK\$64,115,000) which are included in the Group's debtors, deposits and prepayments is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within 30 days	<b>11,082</b>	20,797
31 to 60 days	<b>18,018</b>	20,802
61 to 90 days	<b>19,745</b>	15,181
Over 90 days	<b>16,296</b>	7,335
	<b>65,141</b>	64,115
Other debtors, deposits and prepayments	<b>26,587</b>	12,617
	<b>91,728</b>	76,732

### 10. CREDITORS AND ACCRUALS

The aged analysis of the trade creditors of HK\$7,248,000 (31 December 2006: HK\$5,396,000) which are included in the Group's creditors and accruals is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within 30 days	<b>3,175</b>	1,994
31 to 60 days	<b>2,486</b>	2,423
61 to 90 days	<b>1,007</b>	777
Over 90 days	<b>580</b>	202
	<b>7,248</b>	5,396
Other creditors and accruals	<b>3,976</b>	5,275
	<b>11,224</b>	10,671

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 11. SHARE CAPITAL

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
Issued and fully paid: 1,299,600,000 (2006: 958,000,000) ordinary shares of HK\$0.01 each	<b>12,996</b>	9,580

During the Period, the Company placed 191,600,000 new shares of the Company at HK\$0.172 per share.

During the Period, the Company also placed 220,000,000 unlisted warrants of the Company at issue price of HK\$0.046 per warrant. Each warrant may subscribe for one new share of the Company at HK\$0.25 per share. As at 30 June 2007, 150,000,000 warrants have been exercised and 150,000,000 new shares were issued.

### 12. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2007 and 31 December 2006.

### 13. CAPITAL COMMITMENTS

The Group had no material capital commitment as at 30 June 2007 and 31 December 2006.

### 14. PLEDGE OF ASSETS

At 30 June 2007, leasehold land and buildings with an aggregate carrying value of approximately HK\$78,100,000 (31 December 2006: HK\$79,100,000) were pledged to banks to secure banking facilities granted to the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. SUBSEQUENT EVENT

On 5 July 2007, the Company entered into a placing agreement to place 229,000,000 new shares of the Company at HK\$2.49 per share. The placing was completed on 23 July 2007.

### 16. OPERATING LEASE COMMITMENTS

#### The Group as lessor

As at 30 June 2007, the Group had contracted with tenants for the following future minimum lease receipts:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	<b>419</b>	382
In the second to fifth years inclusive	<b>245</b>	254
	<b>664</b>	636

#### The Group as lessee

As at 30 June 2007, the Group had contracted with landlords for the following future minimum lease payments:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	<b>1,538</b>	–
In the second to fifth years inclusive	<b>3,287</b>	–
	<b>4,825</b>	–

### BUSINESS REVIEW AND FINANCIAL PERFORMANCE

The Group's turnover for the Period moderately increased by 6% to HK\$79.2 million as compared with the corresponding period in 2006.

Profit for the Period attributable to the shareholders of the Company was approximate HK\$2.1 million, representing an increase of 96.8% as compared with profit of HK\$1.1 million in the corresponding period in 2006. Increase in profit for the current period is mainly due to improvement of gross profit margin.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group had bank balances and cash amounted to HK\$84.1 million (31 December 2006: 25.7 million).

As at 30 June 2007, the Group had interest-bearing bank borrowings of approximately HK\$16.5 million (31 December 2006: HK\$19.5 million), which were to mature within one year. The directors expect that all the bank borrowings will be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations. As at 30 June 2007, the Group's leasehold land and buildings, with aggregate carrying value of approximately HK\$78.1 million (31 December 2006: HK\$79.1 million), have been pledged to banks to secure banking facilities granted to the Group.

As at 30 June 2007, current assets of the Group amounted to approximately HK\$223.4 million (31 December 2006: HK\$138.7 million). The Group's current ratio was approximately 7.66 as at 30 June 2007 as compared with 4.49 as at 31 December 2006. As at 30 June 2007, the Group had total assets of approximately HK\$359.1 million (31 December 2006: HK\$275.3 million) and total liabilities of approximately HK\$32.8 million (31 December 2006: HK\$34.5 million), representing a gearing ratio (measured as total liabilities to total assets) of 9.1% as at 30 June 2007 as compared with 12.5% as at 31 December 2006.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **USE OF PROCEEDS FROM PLACEMENT OF NEW SHARES AND UNLISTED WARRANTS**

The Company placed 191,600,000 new shares at HK\$0.172 per share pursuant to the placing agreement entered into between the Company and Get Nice Investment Limited dated 2 April 2007 raising about HK\$32.1 million for general working capital purpose.

The Company placed 220,000,000 unlisted warrants at HK\$0.046 per warrant pursuant to the placing agreement entered into between the Company and Kingston Securities Limited dated 12 April 2007 raising about HK\$9.7 million for general working capital purpose. All warrants have been exercised resulting approximately HK\$55 million being raised which will be utilised by the Group for additional general working capital.

The Company placed 229,000,000 new shares at HK\$2.49 per share pursuant to the placing agreement entered into between the Company and CCB International Capital Limited dated 5 July 2007 raising about HK\$553 million for general working capital purpose.

As at 30 June 2007, approximately HK\$9 million of the fund raised have been applied as the general working capital of the Group and the balance remained in the Group unutilised. The unutilised amount is retained in bank for further general working capital.

### **FOREIGN EXCHANGE EXPOSURES**

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The exchange rate between Hong Kong dollars and United States dollars is relatively stable as Hong Kong dollars have been pledged with United States dollars. Given the continuous appreciation of Renminbi, the directors will consider to use forward contracts to hedge exchange risk as necessary.

### OUTLOOK

In 2007, it is the 50th anniversary of the setup of the polishing business. The directors will continue to develop the polishing business as well as bring new elements to the Group in order to create a new future.

In June 2007, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Well Support Limited in relation to the acquisition (the "Acquisition") of 52,415,466 shares of China Railway Logistics Limited (formerly known as Proactive Technology Holdings Limited). China Railway Logistics Limited has announced that it would tap into the field of the railway logistic transportation in the PRC. The directors believe that there are huge growth potentials in the logistic business in the PRC, such Acquisition would bring a good value to our shareholders. The last date for fulfillment of the conditions in the Sale and Purchase Agreement has been extended to 31 December 2007.

In July 2007, another wholly-owned subsidiary of the Company acquired the entire issued capital of Best Time Far East Limited ("Best Time"). Best Time has entered into a co-operation agreement with China Railway Investments Group (Hong Kong) Limited ("China Railway"), an associate of the Ministry of Railway, PRC for the development and application of multi-media entertainment and advertising business in the railway stations as managed by China Railway in PRC and provision of such services to other passenger trains and wagons. The directors believe that acquisition of Best Time provides a good opportunity for the Group to make equity investment in relation to the PRC railway media and advertising business.

### EMPLOYEES AND REMUNERATION

As at 30 June 2007, the Group had approximately 230 employees in Hong Kong and Mainland China. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a share option scheme of which the directors may, at its discretion, grant options to employees of the Group. No option has been granted since the adoption of the share option scheme.



## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Long positions in the ordinary shares of the Company:

Directors	Number of shares held			Percentage of interests
	Personal interests	Corporate interests	Total interests	
Mr. Cheng Kwok Woo	54,400,000	318,438,000 <i>(note)</i>	372,838,000	28.69%
Mr. Cheng Kwong Cheong	54,400,000	318,438,000 <i>(note)</i>	372,838,000	28.69%
Ms. Cheng Wai Ying	34,400,000	318,438,000 <i>(note)</i>	352,838,000	27.15%
Ms. Chan Yim Fan	3,205,333	–	3,205,333	0.25%

*Note:* These shares are held by PME Investments (BVI) Co., Ltd. ("PME Investments"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of PME Investments is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying.

Save as disclosed above, none of the directors, chief executive and their associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

### **DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the Period were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, chief executive, or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding company, or subsidiaries a party to any arrangement to enable the directors or chief executive to acquire such rights in any other corporate.

### **SHARE OPTION SCHEME**

The Company operates a share option scheme for the purposes to enable the directors of the Company to grant options to certain full-time employees (including executive directors, non-executive directors and independent non-executive directors of the Company) of the Group in recognition of their contributions to the Group.

As at 30 June 2007, no share option has been offered and/or granted to any participants under the share option scheme.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules. The following persons were interested (including short positions) in the shares of underlying shares of the Company:

Long positions in the ordinary shares of the Company:

<b>Name</b>	<i>Notes</i>	<b>Number of shares held</b>	<b>Percentage of interests</b>
PME Investments	1	318,438,000	24.50%
Mr. Cheng Kwok Woo	2	372,838,000	28.69%
Mr. Cheng Kwong Cheong	2	372,838,000	28.69%
Ms. Cheng Wai Ying	2	352,838,000	27.15%
Ms. Tsang Sui Tuen	3	372,838,000	28.69%
Ms. Wan Kam Ping	4	372,838,000	28.69%
Mr. Cheng Yau Kuen	5	352,838,000	27.15%

*Notes:*

1. PME Investments is an investment holding company incorporated in the BVI and its entire issued share capital is beneficially owned as to one-third by each of Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong and Ms. Cheng Wai Ying.
2. Each of Mr. Cheng Kwok Woo and Mr. Cheng Kwong Cheong personally holds 54,400,000 Shares and Ms. Cheng Wai Ying personally holds 34,400,000. Each of them is further beneficially interested in one-third of PME Investments and is accordingly deemed to be interested in the entire interests of PME Investments in the Company.
3. Ms. Tsang Sui Tuen is the spouse of Mr. Cheng Kwok Woo and is accordingly deemed to have interest in 372,838,000 shares of the Company that Mr. Cheng Kwok Woo has interest in.
4. Ms. Wan Kam Ping is the spouse of Mr. Cheng Kwong Cheong and is accordingly deemed to have interest in 372,838,000 shares of the Company that Mr. Cheng Kwong Cheong has interest in.
5. Mr. Cheng Yau Kuen is the spouse of Ms. Cheng Wai Ying and is accordingly deemed to have interest in 352,838,000 shares of the Company that Ms. Cheng Wai Ying has interest in.

Save as disclosed above, no other parties were recorded in the register required to be kept under Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 30 June 2007.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Period.

### **CORPORATE GOVERNANCE**

The Board considers that good corporate governance of the Company is crucial to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2007.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

### **AUDIT COMMITTEE REVIEW**

The Company has established an Audit Committee, which consists of four independent non-executive directors of the Company.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2007.

## OTHER INFORMATION

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### BOARD OF DIRECTORS

As at the date of this report, the Board comprises (1) Mr. Cheng Kwok Woo, Mr. Cheng Kwong Cheong, Ms. Cheng Wai Ying, Mr. Chow Yin Kwang, Ms. Chan Yim Fan, Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy as executive directors; and (2) Messrs. Anthony Francis Martin Conway, Leung Yuen Wing, Soong Kok Meng and Chow Fu Kit Edward as independent non-executive directors.

On behalf of the Board

**Cheng Kwok Woo**

*Chairman*

Hong Kong, 21 September 2007