# SINGAMAS CONTAINER HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

**Stock code: 0716**

*Websites: http://www.singamas.com, http://www.irasia.com/listco/hk/singamas and http://www.quamir.com/quamir/ircompanydetail.action?coId=617&isIr=Y*

## 2008 INTERIM RESULTS ANNOUNCEMENT

### INTERIM RESULTS

The Board of Directors (the "Directors") of Singamas Container Holdings Limited (the "Company" / "Singamas") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30th June, 2008 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June, 2008*

| | | Six months ended 30th June, | |
|---|---|---|---|
| | | **2008** | 2007 |
| | | **(unaudited)** | (unaudited) |
| | *Notes* | ***US$'000*** | *US$'000* |
| **Revenue** | *2* | **761,971** | 755,800 |
| Other income | | **651** | 1,881 |
| Changes in inventories of finished goods and work in progress | | **5,873** | 46,136 |
| Raw materials and consumables used | | **(616,041)** | (666,206) |
| Staff costs | | **(41,594)** | (38,552) |
| Depreciation and amortisation expense | | **(8,315)** | (7,939) |
| Exchange gain (loss) | | **6,890** | (4,231) |
| Other expenses | | **(55,117)** | (61,809) |
| Finance costs | | **(15,069)** | (13,803) |
| Investment income | | **955** | 654 |
| Changes in fair value of derivative financial instruments classified as held for trading | | **(17,576)** | 8,321 |
| Share of results of associates | | **1,070** | 256 |
| Share of results of jointly controlled entities | | **1,374** | 471 |
| **Profit before taxation** | | **25,072** | 20,979 |
| Income tax expense | *3* | **(5,257)** | (2,634) |
| **Profit for the period** | | **19,815** | 18,345 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **13,569** | 16,283 |
| Minority interests | | **6,246** | 2,062 |
| | | **19,815** | 18,345 |
| **Earnings per share** | *5* | | |
| Basic and diluted | | **US1.93 cents** | US2.66 cents |

## CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30th June, 2008*

| | Notes | As at 30th June, 2008 (unaudited) US$'000 | As at 31st December, 2007 (audited) US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **185,490** | 178,922 |
| Patents | | **1,561** | 1,806 |
| Goodwill | | **5,280** | 5,280 |
| Interests in associates | | **11,137** | 9,432 |
| Interests in jointly controlled entities | | **25,483** | 23,280 |
| Available-for-sale-investments | | **3,174** | 3,174 |
| Prepaid lease payments | | **61,107** | 60,829 |
| Deferred tax assets | | **943** | 5,697 |
| Other assets | | **-** | 84 |
| | | **294,175** | 288,504 |
| **Current assets** | | | |
| Inventories | 7 | **377,993** | 298,250 |
| Trade receivables | 8 | **282,432** | 153,703 |
| Prepayments and other receivables | 9 | **212,680** | 197,473 |
| Amounts due from fellow subsidiaries | | **458** | 334 |
| Amounts due from associates | | **11** | 11 |
| Amounts due from jointly controlled entities | | **9,107** | 4,334 |
| Amount due from a related company | | **1,420** | 1,366 |
| Tax recoverable | | **-** | 74 |
| Derivative financial instruments | | **20** | 27,160 |
| Prepaid lease payments | | **1,653** | 1,380 |
| Bank balances and cash | | **115,544** | 119,048 |
| | | **1,001,318** | 803,133 |
| **Current liabilities** | | | |
| Trade payables | 10 | **165,254** | 140,806 |
| Accruals and other payables | | **78,461** | 83,972 |
| Bills payable | 11 | **92,375** | 83,857 |
| Amount due to ultimate holding company | | **1,176** | 166 |
| Amounts due to associates | | **2,944** | 2,223 |
| Amounts due to jointly controlled entities | | **1,385** | 40 |
| Tax payable | | **6,149** | 7,490 |
| Deferred payable | | **182** | 182 |
| Bank borrowings | | **471,547** | 327,723 |
| | | **819,473** | 646,459 |
| **Net current assets** | | **181,845** | 156,674 |
| **Total assets less current liabilities** | | **476,020** | 445,178 |

**CONDENSED CONSOLIDATED BALANCE SHEET** *(Continued)*
*As at 30th June, 2008*

| | Notes | As at 30th June, 2008 (unaudited) US$'000 | As at 31st December, 2007 (audited) US$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *12* | **9,025** | 9,025 |
| Share premium | | **145,646** | 145,646 |
| Accumulated profits | | **138,068** | 129,129 |
| Other reserves | | **26,710** | 22,055 |
| Equity attributable to equity holders of the Company | | **319,449** | 305,855 |
| Minority interests | | **56,845** | 50,013 |
| **Total equity** | | **376,294** | 355,868 |
| **Non-current liabilities** | | | |
| Deferred payable | | **1,810** | 1,810 |
| Bank borrowings | | **97,916** | 87,500 |
| | | **99,726** | 89,310 |
| | | **476,020** | 445,178 |

*Notes:*

***1. Significant accounting policies***

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

*The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2007.*

*In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2008.*

*The adoption of these new Interpretations 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 and revised standards, amendments or interpretation that have been issued but are not yet effective.*

| | |
|---|---|
| *HKAS 1 (Revised)* | *Presentation of Financial Statements*[1] |
| *HKAS 23 (Revised)* | *Borrowing Costs*[1] |
| *HKAS 27 (Revised)* | *Consolidated and Separate Financial Statements*[2] |
| *HKAS 32 & 1 (Amendments)* | *Puttable Financial Instruments and Obligations Arising on Liquidation*[1] |
| *HKFRS 2 (Amendment)* | *Vesting Conditions and Cancellations*[1] |
| *HKFRS 3 (Revised)* | *Business Combinations*[2] |
| *HKFRS 8* | *Operating Segments*[1] |
| *HK(IFRIC) – INT 13* | *Customer Loyalty Programmes*[3] |
| *HK(IFRIC) – INT 15* | *Agreements for the Construction of Real Estate*[1] |
| *HK(IFRIC) – INT 16* | *Hedges of a Net Investment in a foreign Operation*[4] |

[1] *Effective for annual periods beginning on or after 1st January, 2009*

[2] *Effective for annual periods beginning on or after 1st July, 2009*

[3] *Effective for annual periods beginning on or after 1st July, 2008*

[4] *Effective for annual periods beginning on or after 1st October, 2008*

*The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.*

## 2. *Segment information*

***Business segments***

*For management purpose, the Group is currently organised into two operating divisions - manufacturing and logistics services. These divisions are the basis on which the Group reports its primary segment information.*

*Principal activities are as follows:*

| | |
|---|---|
| *Manufacturing* | - *manufacturing of marine dry freight containers, refrigerated containers, collapsible flatrack containers, tank containers, other specialised containers, container parts and container chassis.* |
| *Logistics services* | - *provision of container storage, repair and trucking services, serving as a freight station, container/cargo handling, mid-stream services and other container related services.* |

*Segment information about these businesses is presented below:*

***2008***

| | ***Manufacturing*** | ***Logistics services*** | ***Eliminations*** | ***Total*** |
|---|---|---|---|---|
| | ***US$'000*** | ***US$'000*** | ***US$'000*** | ***US$'000*** |
| ***REVENUE*** | | | | |
| *External sales* | ***743,258*** | ***18,713*** | ***-*** | ***761,971*** |
| *Inter-segment sales* | ***-*** | ***382*** | ***(382)*** | ***-*** |
| *Total* | ***743,258*** | ***19,095*** | ***(382)*** | ***761,971*** |
| | *Inter-segment sales are charged at prevailing market prices.* | | | |
| ***SEGMENT RESULTS*** | ***48,299*** | ***6,019*** | | ***54,318*** |
| *Finance costs* | | | | ***(15,069)*** |
| *Investment income* | | | | ***955*** |
| *Changes in fair value of derivative financial instruments* | | | | ***(17,576)*** |
| *Share of results of associates* | ***628*** | ***442*** | | ***1,070*** |
| *Share of results of jointly controlled entities* | ***1,131*** | ***243*** | | ***1,374*** |
| *Profit before taxation* | | | | ***25,072*** |
| *Income tax expense* | | | | ***(5,257)*** |
| *Profit for the period* | | | | ***19,815*** |

*2007*

| | *Manufacturing* | *Logistics services* | *Eliminations* | *Total* |
|---|---|---|---|---|
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| ***REVENUE*** | | | | |
| *External sales* | *739,783* | *16,017* | *-* | *755,800* |
| *Inter-segment sales* | *-* | *444* | *(444)* | *-* |
| *Total* | *739,783* | *16,461* | *(444)* | *755,800* |

*Inter-segment sales are charged at prevailing market prices.*

| | | | | |
|---|---|---|---|---|
| ***SEGMENT RESULTS*** | *20,900* | *4,180* | | *25,080* |
| *Finance costs* | | | | *(13,803)* |
| *Investment income* | | | | *654* |
| *Changes in fair value of derivative financial instruments* | | | | *8,321* |
| *Share of results of associates* | *(266)* | *522* | | *256* |
| *Share of results of jointly controlled entities* | *215* | *256* | | *471* |
| *Profit before taxation* | | | | *20,979* |
| *Income tax expense* | | | | *(2,634)* |
| *Profit for the period* | | | | *18,345* |

***Geographical segments***

*The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:*

| | ***Revenue Six months ended*** | |
|---|---|---|
| | ***30th June, 2008*** | *30th June, 2007* |
| | ***US$'000*** | *US$'000* |
| *United States* | ***210,413*** | *256,305* |
| *Europe* | ***185,852*** | *123,860* |
| *Hong Kong* | ***171,142*** | *192,788* |
| *People's Republic of China (other than Hong Kong, Macau and Taiwan)* | ***53,539*** | *42,581* |
| *South Korea* | ***45,562*** | *51,030* |
| *Taiwan* | ***38,109*** | *13,119* |
| *Singapore* | ***23,658*** | *55,607* |
| *Others* | ***33,696*** | *20,510* |
| | ***761,971*** | *755,800* |

### *3. Income tax expense*

*Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th June, 2008.*

*Taxation on overseas operations is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.*

*On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and the Implementation Regulations provide a five-year transitional period from its effective date for those enterprises which were established before the promulgation date of the New Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. Based on New Law, certain subsidiaries of the Group that were entitled to preferential treatment in the form of enterprise income tax reduction or exemption, would have to begin its tax holiday in the same year that the New Law comes into effect. The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.*

| | ***Six months ended*** | |
|---|---|---|
| | ***30th June, 2008 US$'000*** | *30th June, 2007 US$'000* |
| *Current tax:* | | |
| *Hong Kong Profits Tax* | ***7*** | *1,651* |
| *Overseas taxation* | ***496*** | *981* |
| | ***503*** | *2,632* |
| *Deferred tax:* | | |
| *Current year* | ***4,754*** | *2* |
| | ***5,257*** | *2,634* |

### *4. Dividends*

| | ***Six months ended*** | |
|---|---|---|
| | ***30th June, 2008 US$'000*** | *30th June, 2007 US$'000* |
| *Dividends recognised as distribution during the period:* | | |
| *Final dividend approved for the year ended 31st December, 2007: HK5 cents (for the year ended 31st December, 2006: HK3 cents) per ordinary share* | ***4,503*** | *2,350* |

*The Directors have resolved on 4th September, 2008 to declare an interim dividend of HK4 cents (2007: HK6 cents) per ordinary share, totalling US$3,602,000 (2007: US$5,408,000) for the six months ended 30th June, 2008.*

### 5. *Earnings per share*

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

| | Six months ended | |
|---|---|---|
| | **30th June, 2008 US$'000** | *30th June, 2007 US$'000* |
| *Earnings:* | | |
| *Earnings for the purposes of calculating basic and diluted earnings per share* | ***13,569*** | *16,283* |
| *Number of shares:* | | |
| *Number of ordinary shares for the purposes of calculating basic and diluted earnings per share* | ***702,912,760*** | *611,228,760* |

*The computation of diluted earnings per share for both 2008 and 2007 does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of shares for both periods.*

### 6. *Movements in property, plant and equipment*

*During the period, the Group spent US$12,181,000 (2007: US$10,244,000) to upgrade its manufacturing and logistics services facilities.*

### 7. *Inventories*

| | **As at 30th June, 2008 US$'000** | *As at 31st December, 2007 US$'000* |
|---|---|---|
| *Raw materials* | ***239,933*** | *166,063* |
| *Work in progress* | ***16,595*** | *17,546* |
| *Finished goods* | ***121,465*** | *114,641* |
| | ***377,993*** | *298,250* |

*The cost of sales recognised during the period was US$687,458,000 (2007: US$694,671,000).*

## *8. Trade receivables*

*A defined credit policy is maintained within the Group. The general credit terms are agreed with each of its trade customers depending on the relationship with the Group and the creditworthiness of the customers. The general credit term ranges from 30 days to 120 days.*

*The following is an aging analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:*

| | ***As at 30th June, 2008 US$'000*** | *As at 31st December, 2007 US$'000* |
|---|---|---|
| *0 to 30 days* | ***169,435*** | *84,555* |
| *31 to 60 days* | ***72,284*** | *36,799* |
| *61 to 90 days* | ***25,361*** | *19,741* |
| *91 to 120 days* | ***9,993*** | *8,553* |
| *Over 120 days* | ***5,359*** | *4,055* |
| | ***282,432*** | *153,703* |

## *9. Prepayments and other receivables*

*At 30th June, 2008, the Group advanced US$131,920,000 (31st December, 2007: US$112,284,000) to certain suppliers as deposits for raw materials purchases.*

## *10. Trade payables*

*The following is an aging analysis of trade payables at the balance sheet date:*

| | ***As at 30th June, 2008 US$'000*** | *As at 31st December, 2007 US$'000* |
|---|---|---|
| *0 to 30 days* | ***68,241*** | *61,002* |
| *31 to 60 days* | ***38,290*** | *27,042* |
| *61 to 90 days* | ***28,913*** | *19,499* |
| *91 to 120 days* | ***16,460*** | *15,850* |
| *Over 120 days* | ***13,350*** | *17,413* |
| | ***165,254*** | *140,806* |

## *11. Bills payable*

*The following is an aging analysis of bills payable at the balance sheet date:*

| | ***As at 30th June, 2008 US$'000*** | *As at 31st December, 2007 US$'000* |
|---|---|---|
| *0 to 30 days* | ***33,248*** | *33,092* |
| *31 to 60 days* | ***29,295*** | *26,456* |
| *61 to 90 days* | ***24,469*** | *18,046* |
| *91 to 120 days* | ***2,261*** | *5,839* |
| *Over 120 days* | ***3,102*** | *424* |
| | ***92,375*** | *83,857* |

## *12. Share capital*

| | Number of shares | Share Capital | |
|---|---|---|---|
| | | US$'000 | HK$'000 |
| *Ordinary shares of HK$0.10 each* | | | |
| *Authorised:* | | | |
| *At 1st January, 2007* | 750,000,000 | 9,637 | 75,000 |
| *Increase on 1st June, 2007* | 250,000,000 | 3,206 | 25,000 |
| *At 30th June, 2007, 31 December, 2007 and 30th June, 2008* | 1,000,000,000 | 12,843 | 100,000 |
| *Issued and fully paid:* | | | |
| *At 1st January, 2007 and 30th June, 2007* | 611,228,760 | 7,844 | 61,123 |
| *Issue of ordinary shares on placing* | 91,684,000 | 1,181 | 9,168 |
| *At 31st December, 2007 and 30th June, 2008* | 702,912,760 | 9,025 | 70,291 |

*On 1st June, 2007, an ordinary resolution of the Company was passed to increase the authorised share capital of the Company from HK$75,000,000 to HK$100,000,000 by the creation of 250,000,000 new ordinary shares of HK$0.10 each. Such new shares shall rank pari passu in all respects with the existing shares of the Company.*

*On 8th October, 2007, 91,684,000 ordinary shares were issued at HK$4.24 per share in relation to a share placement. These new shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 1st June, 2007 and rank pari passu with other shares in issue in all respects. The net proceeds from the placement are largely intended to use for (a) the relocation and expansion of a dry freight container factory located in Xiamen; and (b) the relocation and upgrade of a dry freight container factory located in Shanghai into producing tank containers at the factory's new location.*

## BUSINESS REVIEW

For the six months ended 30th June, 2008, the Group reported consolidated revenue of US$761,971,000, similar to what was reported in the corresponding period of last year. On the other hand, affected by the loss from unwinding a majority of the Company's swap derivative financial instruments during the reporting period, increasing borrowing costs due to tightening credit in the People's Republic of China (the "PRC") and increasing income tax expense as a result from a new income tax law implemented by the PRC, consolidated net profit attributable to equity holders of the Company decreased by 16.7% to US$13,569,000, while earnings per share declined to US1.93 cents (1H2007: US2.66 cents).

In facing an increasingly challenging business environment for the global liner shipping industry and an slowdown in export trade growth in the PRC, Singamas continued its unwavering efforts in capturing opportunities in the market and managing costs, leading to enhanced gross and operating margins during the period under review.

### MANUFACTURING

Continuing to contribute a majority of the Group's revenue, the manufacturing operation reported consolidated revenue of US$743,258,000, thus accounting for 97.5% of the Group's total revenue during the review period. Profit before taxation and minority interests reached US$18,736,000 against US$15,119,000 of the same period last year.

The subprime mortgage crisis in the U.S., escalating oil prices and high inflation adversely affected the global economy as well as the export trade from the PRC. This has in turn affected new container demand. Accordingly, overall production dropped by 16.7% to 350,131 twenty-foot equivalent units ("TEUs"). Despite the lower production figure, the Group was pleased to report increased output of higher margin tank containers which command a higher average selling price of US$30,089 compared with US$2,131 for its dry freight counterpart.

Higher raw material costs, in particular for Corten steel, drove up container selling prices. Average selling price for a 20-foot dry freight container increased to US$2,131, representing an increase of 11.4% over the last corresponding period of US$1,913.

At the same time, effective cost control measures, higher productivity, better management of material supply and slowing down in Renminbi appreciation against U.S. dollars accounted for the improved gross and operating margins.

The performance of U.S. domestic containers and chassis manufactured at the Qingdao plant remains steady. The tank container production plant in Shunde began generating profits and achieved an upswing with output reaching 801 units during the first half of 2008 against 264 units produced in the same period of last year, which is in line with the Group's plans to expand its specialised containers.

### LOGISTICS SERVICES

Among the world's top 20 container ports in 2007, seven are in the PRC, namely Shanghai, Hong Kong, Shenzhen, Qingdao, Ningbo, Guangzhou and Tianjin. In the first half of 2008, container throughput at these major PRC ports, where the Group's container depots/ terminals are located, maintained healthy growth. During the period under review, the Group's logistics operations, including container depots, terminals and mid-stream operation, handled a total of 2,538,000 TEUs of containers, representing an increase of 5.7% over the corresponding period of last year. Accordingly, revenue rose by 16.8% to US$18,713,000. Profit before taxation and minority interests was US$6,336,000, which is 8.1% higher than the first half of 2007.

**PROSPECTS**

Management remains cautious about the macroeconomic environment for the second half of 2008 in view of the global economy's presently weakened state. The subprime mortgage crisis in the U.S. may continue to bring downwards pressure, thereby hindering the consumption pattern of developed countries, decreasing imports, and potentially, cargo throughput in the PRC. Hence, it will depend on the speed in which the global economy recovers that demand for new containers and logistics services will be determined.

With the specialised container market continuing to grow at a healthy rate, the Group has sought to enhance its product mix by upgrading the dry freight container factory in Shanghai operated by Shanghai Pacific International Container Co., Ltd. ("Shanghai Pacific") into producing tank containers after its relocation. Upon the facility's relocation in 2010, the Group will be able to increase its total production capacity of tank containers to over 10,000 units annually, up from the current 5,000 units. In addition, the maximum annual production capacity of the refrigerated container factory has increased from 20,000 TEUs to 33,000 TEUs currently.

The Group expects the replacement rate for old containers to increase from 2008 onwards should the erratic economic conditions begin to dissipate. Spurring this growth will be the stabilisation of raw material prices which have thus far been on an upward trend and are expected to further stabilise in the fourth quarter of this year. The relocation of Xiamen Pacific Container Manufacturing Co., Ltd. is expected to be completed by end of 2009, while Shanghai Pacific's plant relocation will be finished by early 2010. The Group has successfully upgraded and increased the maximum annual production capacity of Shanghai Baoshan Pacific Container Co., Ltd. from 170,000 TEUs to 200,000 TEUs starting from February 2008.

As a further means of tending to market dictates, the Group will continue investigating opportunities for organic growth that not only will enhance its manufacturing capabilities, but also bolster its logistics services operation.

## INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK4 cents per ordinary share (2007: HK6 cents per ordinary share) for the six months ended 30th June, 2008, payable on or before Friday, 31st October, 2008 to shareholders whose names appear on the Register of Members of the Company at close of business on Thursday, 23rd October, 2008.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 20th October, 2008 to Thursday, 23rd October, 2008, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for this interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration of no later than 4:30 p.m. on Friday, 17th October, 2008.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th June, 2008 ("Interim Report"). At the request of the Directors, the Group's external auditors have carried out a review of the Interim Report in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

## TRANSFER TO RESERVES

Pursuant to the legal requirements in the PRC and the appropriation agreed in the subsidiaries, associates and jointly controlled entities, aggregate amounts of US$205,000 and US$154,000 have been transferred to general reserve and development reserve of the Group, respectively during the period.

## CORPORATE GOVERANCE PRACTICES

The Company has fully complied with all the applicable principles in the code provisions and adopted certain recommended best practices in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The corporate governance practices adopted for the six months ended 30th June, 2008 are consistent with those disclosed and outlined in the Group's 2007 Annual Report.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the Directors, all Directors have complied with, for any part of the accounting period covered by this Interim Report, the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction.

On Behalf of the Board
**Chang Yun Chung**
*Chairman*

Hong Kong, 4th September, 2008

*The Directors as at the date of this announcement are Mr. Chang Yun Chung (also known as Mr. Teo Woon Tiong), Mr. Teo Siong Seng, Mr. Hsueh Chao En, Mr. Jin Xu Chu and Mr. Teo Tiou Seng as executive Directors, Mr. Kuan Kim Kin as non-executive Director and Mr. Ngan Man Kit, Alexander, Mr. Ong Ka Thai and Mr. Yang, Victor as independent non-executive Directors.*