



CHINA GOLDEN DEVELOPMENT HOLDINGS LIMITED

中國金展控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 162)

INTERIM RESULTS

The board of directors (the “Board”) of China Golden Development Holdings Limited (the “Company”) are pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2008 together with comparative figures for the corresponding period in 2007. The result is stated as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

	Note	Six months ended 30th June	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Turnover	2	351,124	139,971
Cost of sales		<u>(286,451)</u>	<u>(114,838)</u>
Gross profit		64,673	25,133
Other revenue		6,412	4,818
Selling and distribution expenses		(9,750)	(7,459)
General and administrative expenses		(43,149)	(23,370)
Equity settled share-based payment expense for share options granted	3	<u>(1,170)</u>	<u>-</u>
Profit/(loss) from operations		17,016	(878)
Finance costs		<u>(2,084)</u>	<u>(705)</u>
Profit/(loss) before income tax	4	14,932	(1,583)
Income tax expense	5	<u>(4,323)</u>	<u>(907)</u>
Profit/(loss) for the period		<u>10,609</u>	<u>(2,490)</u>
Basic earnings/(loss) per share (HK cents)	7	<u>1.11</u>	<u>(0.51)</u>
Diluted earnings/(loss) per share (HK cents)	7	<u>1.08</u>	<u>N/A</u>

*for identification purpose only

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2008

	Note	As at 30th June 2008 HK\$'000 (unaudited)	As at 31st December 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	67,806	63,836
Loan receivables	9	5,000	10,000
Deposit paid for acquisition of associates		19,000	-
Deposit paid for acquisition of subsidiaries		62,479	17,160
Intangible assets		15,470	15,578
		169,755	106,574
Current assets			
Inventories		8,334	7,606
Loan receivables	9	36,191	20,367
Prepayments and other receivables	10	41,319	29,252
Amounts due from related companies	14(c)	156,338	60,006
Pledged time deposits		33,166	-
Unpledged time deposits		-	100,000
Cash and bank balances		53,710	138,115
		329,058	355,346
Assets classified as held for sale		53,095	-
		382,153	355,346
Current liabilities			
Trade payables		92,668	66,601
Accruals and other payables	11	25,935	30,094
Unsecured bank loan		-	1,059
Promissory note	12	-	2,480
Tax payable		1,662	3,845
		120,265	104,079
Liabilities classified as held for sale		39,895	-
		160,160	104,079
Net current assets		221,993	251,267
Net assets		391,748	357,841
Capital and reserves			
Share capital	13	97,334	94,842
Reserves		294,414	262,999
Total equity		391,748	357,841

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated interim financial statements (“Interim Accounts”) of the Group have been prepared in accordance with the 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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Interim Accounts are unaudited, but have been reviewed by PKF in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the financial statements for the year ended 31st December 2007.

In the current interim period, the Group initially applied the following Hong Kong Financial Reporting Standards:

HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group’s accounting policies or retrospective adjustments of the comparatives presented.

2. Turnover and segment information

The principal business of the Company and its subsidiaries are operation of shopping malls in North-western China, turnover and results were generated therefrom.

3. Equity settled share-based payment expense for share options granted

On 15th January 2008, 49,106,000 share options were granted at an exercise price of HK\$0.74 per share. The exercise period is from 16th January 2008 to 15th January 2010. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The estimate of the fair value of the share option granted is measured based on Black-Scholes option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

4. Profit/(loss) before income tax

Profit/(loss) before income tax is arrived at after charging and crediting the following items:

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
<u>AFTER CHARGING</u>		
Auditor's remuneration	90	191
Staff costs (including directors' emoluments)	16,178	8,570
Depreciation	3,088	1,495
Amortisation of intangible assets	1,079	976
Minimum lease payments under operating leases	10,528	5,429
Loss on disposal of property, plant and equipment	107	195
Interest on convertible bond	-	49
Interest on promissory note	-	149
Net exchange loss	<u>209</u>	<u>231</u>
<u>AFTER CREDITING</u>		
Interest income	<u>1,699</u>	<u>88</u>

5. Income tax expense

The Company and its subsidiaries are subject to income tax on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

Provision for Hong Kong profits tax has not been made as the companies in the Group did not have assessable profits during the period.

The subsidiaries operating in the PRC are subject to PRC enterprise income tax at a rate of 25%.

6. Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30th June 2008. (2007: Nil).

7. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share for the period ended 30th June 2008 is based on the following data:

	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Profit/(loss):-		
Profit/(loss) for the period attributable to equity holders, used in the basic and diluted earnings/(loss) per share calculation	<u>10,609</u>	<u>(2,490)</u>
Number of ordinary shares:-		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	959,012,087	491,066,950
Effect of dilutive potential ordinary shares:-		
Share options	7,114,920	-
Warrants	19,932,707	-
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	<u>986,059,714</u>	<u>491,066,950</u>

The exercise of the outstanding share options has no dilutive effect for the periods ended 30th June 2007 because the exercise price of the Company's share options was higher than the average market price of the shares during the period.

8. Property, plant and equipment

As at 30th June 2008, the Group has property, plant and equipment of approximately HK\$67,806,000, including fixed assets of two department stores of approximately HK\$41,774,000 and HK\$25,986,000 which are owned by Century Ginwa Urumqi Shopping Mall Company Limited and Xian Century Ginwa Property Investments Company Limited respectively.

9. Loan receivables

- On 25th September 2006, Ming Fai Princess Entertainment Limited ("Ming Fai"), Bright Chance (Asia) Limited ("Bright Chance") and Mr. Cai Jun Jie entered into a loan assignment agreement. Pursuant to the loan assignment agreement, Ming Fai agreed to assign all its rights and benefits in the loan receivable balance of HK\$30,000,000 to Bright Chance at a total consideration of HK\$30,000,000. The loan receivable balance is interest-bearing at 2% per annum and the repayments will be made semi-annually in the amount of HK\$5,100,000 (including repayment of the principal in the amount of HK\$5,000,000) for the six half-years ending 31st December 2009.
- On 24th January 2008, China King Management Limited ("China King"), a wholly-owned subsidiary of the Company, entered into an agreement with Fortune Dragon Investments Limited ("Fortune Dragon"), an independent third party. By this agreement, a one-year loan of HK\$21,000,000 was provided to Fortune Dragon with interest charged at the Hong Kong Dollar Prime Rate per annum. As security for the loan, 36,496,960 shares of Xi'an Commercial Bank were pledged by Xi'an City Ai Jia Mao Yi Company Limited to China King, as procured by Fortune Dragon according to the terms of the agreement.

10. Prepayments and other receivables

Details of prepayments and other receivables are as follows:-

	As at 30th June 2008 HK\$'000	As at 31st December 2007 HK\$'000
Deposits	700	1,118
Prepayments	29,858	18,440
Receivables from banks for credit card sales	632	2,871
Other receivable	10,129	6,057
Amount due from ex-shareholders	-	766
	41,319	29,252

11. Accruals and other payables

Details of accruals and other payables are as follows:-

	As at 30th June 2008 HK\$'000	As at 31st December 2007 HK\$'000
Payroll and welfare payables	2,551	6,241
Customers' deposits	14,388	10,386
Other tax payables	410	1,162
Deposits received	672	553
Renovation retention	320	125
Accruals	3,037	5,274
Other payables	4,557	6,353
	25,935	30,094

12. Promissory note

During the period ended 30th June 2008, the promissory note had been fully repaid and the interest was waived.

13. Share capital

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Authorised:		
As at 30th June 2008 and 31st December 2007	20,000,000,000	2,000,000
Issued and fully paid:		
As at 31st December 2007 and 1st January 2008	948,418,602	94,842
Issue of shares upon the exercise of share options	22,922,250	2,292
Issue of shares upon the exercise of warrants	2,000,000	200
As at 30th June 2008	973,340,852	97,334

14. Related party transactions

- (a) Particulars of significant transactions between the Group and related parties during the period are as follow:-

	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Rental expenses paid to Shaanxi Century Ginwa Hi-Tech shopping centre ("Ginwa Hi-Tech")	4,977	1,500
Repairs and maintenance fee paid to Ginwa Hi-Tech	664	-

- (b) Acquisition of 76.43% shareholding of Century Ginwa Joint Stock Company Limited ("Century Ginwa")

On 25th September 2007, China Rich International Management Limited ("China Rich") entered into an acquisition agreement with Ginwa Investment in which China Rich agreed to acquire and Ginwa Investment Company Limited ("Ginwa Investment") agreed to dispose of 76.43% equity interest in Century Ginwa owned by Ginwa Investment at the consideration of RMB180,000,000 (equivalent to approximately HK\$185,400,000) (the "CG Acquisition"). On the same date, the Company also entered into an agreement with Best Mineral and Mr. Wu (the "BM Agreement"), pursuant to which Best Mineral agreed to (i) assist the Company, China Rich and their agents and advisers in obtaining the right to access the books, records and other related documents of Century Ginwa; (ii) procure Century Ginwa to assist the Company, China Rich and their agents and advisers in their due diligence review; (iii) provide the relevant information and files upon request by the Company, China Rich and their agents and advisers; and (iv) assist the Company in drafting the Acquisition Agreement, and in consideration of Best Mineral's provision of the Profit Guarantee and the Repayment Guarantee, the Company agreed to issue a convertible bond of HK\$1,231,612,200 to Best Mineral upon completion of the CG Acquisition.

Upon completion of the acquisition agreement, Ginwa Investment shall be obliged to repay the amount due to Century Ginwa ("Ginwa Loan") to Century Ginwa within a period of five years commencing from completion of the Acquisition with interest at the five-year lending rate published by the Bank of China, the PRC as at the date of completion of the CG Acquisition.

Since Ginwa Investment is owned as to 60% by Mr. Wu, being an Executive Director of the Company before he resigned on 28th May 2008, Ginwa Investment is a connected person of the Company. Therefore, the entering into of the acquisition agreement between Ginwa Investment and China Rich, a wholly-owned subsidiary of the Company, constitutes a non-exempted connected transaction. Best Mineral, became the substantial shareholder since November 2001, is an investment holding company which holds 149,100,000 shares. Best Mineral is beneficially owned as to 70% by Autogain Profits Limited, a company wholly-owned by Mr. Sean Liu, an ex-Director (resigned on 15th January 2006), and as to 30% by Igrand Profits Limited, a company wholly-owned by Mr. Wu. Best Mineral is a connected person of the Company by virtue of it being a substantial shareholder, and the entering into of the BM Agreement among the Company, Best Mineral and Mr. Wu therefore constitutes a non-exempted connected transaction. Mr. Qu Jiaqi, Mr. Li Haogang and Mr. Sha Yingjie, executive directors of the Company, are also executive directors and senior staff of Century Ginwa.

These transactions were approved in the SGM held on 17th January 2008. The indirect shareholding of Mr. Wu ceased in June 2008. Approvals have been granted by related China government authorities on the CG Acquisition in August 2008.

(c) Details of balances due from related parties are as follows:-

	As at 30th June 2008 HK\$'000	As at 31st December 2007 HK\$'000
Prepayments for merchandise cards		
consignment sales for Century Ginwa	108,468	54,827
Current account with Century Ginwa	44,137	4,374
Current account with Ginwa Hi-Tech	3,733	805
	<u>156,338</u>	<u>60,006</u>

The amounts are interest-free, unsecured and without fixed terms of repayment. The directors consider the carrying amount of the amounts due from related companies approximate their fair values.

(d) Key management personnel compensation:-

	Six months ended 30th June 2008 HK\$'000	Six months ended 30th June 2007 HK\$'000
Salaries and other employee benefits	1,997	1,556
Retirement benefit costs	12	17
Employee share option benefits	618	-
	<u>2,627</u>	<u>1,573</u>

15. Capital commitments

	As at 30th June 2008 HK\$'000	As at 31st December 2007 HK\$'000
Contracted for but not provided for:		
- capital expenditure in respect of acquisition of plant and equipment	973	2,093
- capital contributions to associates	2,000	-
- capital contributions to subsidiaries	143,501	-
	<u>146,474</u>	<u>2,093</u>

16. Post balance sheet events

- a) On 27th March 2008, China King entered into a Memorandum of Understanding, and on 21st April 2008 a Supplemental Memorandum of Understanding with Adventure Corporate Service Limited ("Adventure") for the sale and purchase of the entire 50% shareholding owned by Adventure in Amplewood International Limited, a company incorporated in British Virgin Islands, at a consideration of HK\$21,000,000. The deposit was later fixed at HK\$11,000,000 on 23rd July 2008.
- b) The loan owed by Fortune Dragon, as stated in Note 9 b) to the Condensed Interim Financial Statements, was fully repaid in August 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The turnover of the Group for the six months ended 30th June 2008 increased to approximately HK\$351.1 million compared to approximately HK\$140.0 million for the corresponding period last year, an increase of approximately 150.8%.

The gross profit of the Group for the six months ended 30th June 2008 increased to approximately HK\$64.7 million compared to approximately HK\$25.1 million for the corresponding period last year due to better control on sales mix and the increase in turnover. The gross profit margin of the Group for the six months ended 30th June 2008 slightly increased from approximately 17.9% to 18.4% due to more careful cost control.

The operating, general and administrative expenses for the six months ended 30th June 2008 increased to approximately HK\$52.9 million compared to approximately HK\$30.8 million for the corresponding period last year.

The finance costs for the six months ended 30th June 2008 increased by approximately 195.6% to approximately HK\$2.0 million compared to approximately HK\$0.7 million for the corresponding period last year. The rise in the finance costs was mainly attributable to the increase in the credit card charges as a result of more credit card sales during the period.

Profit attributable to equity holders of the Company for the six months ended 30th June 2008 was recorded at approximately HK\$10.6 million compared with the loss of approximately HK\$2.5 million reported in the corresponding period of last year. The profit included share option expenses amounting to approximately HK\$1.2 million as a result of new share options granted on 15th January 2008. The profit situation for the operation has improved as we successfully increased the source of income and controlled the increase in expenses of the reported period.

Business Review

It was mentioned in the 2006 and 2007 Annual Reports that the Group would continue to explore other business opportunities so as to diversify its business interests. With the huge population of the People's Republic of China ("PRC"), PRC has a large consumer base which provides tremendous opportunities for distributors of consumer goods. Having considered the rapid growth in the PRC consumption power, the Group decided to diversify its business into the operation of department stores, starting with acquiring one "Century Ginwa" branded department store in Urumqi from Ginwa Group in May 2006, Xian Hi-Tech store in May 2007, and Xian Bell Tower store in 2008.

Merger & Acquisition

As stated in Note 14(b) to the Condensed Interim Financial Statements, regarding the acquisition of 76.43% equity interest in Century Ginwa by China Rich, approvals have been granted by related China government authorities in August 2008. It is expected that the acquisition can be completed in September/October 2008 and its contributions can thereafter begin.

Future Plan and Prospect

The Group would continue exploring opportunities in the operation of department store by acquiring existing Century Ginwa department stores and expanding Century Ginwa geographically in PRC. The Group strongly believes that the business strategy of Century Ginwa could eventually lead the Group to become one of the top tier department store's operators in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2008, net current assets and total assets less current liabilities of the Group amounted to approximately HK\$222.0 million (31st December 2007: net current assets of approximately HK\$251.3 million) and approximately HK\$391.7 million (31st December 2007: HK\$357.8 million) respectively. As at 30th June 2008, the Group had cash and bank balances amounted to approximately HK\$86.9 million (31st December 2007: HK\$238.1 million). The current ratio of the Group as at 30th June 2008 was 2.39 (31st December 2007: 3.41).

The gearing ratio, being the bank loan divided by the shareholders' equity, as at 30th June 2008, was nil (31st December 2007: 0.3%).

Charge on Assets

As at 30th June 2008, time deposit of amount HK\$33 million was pledged to obtain banking facilities. The amount pledged was later reduced to HK\$10 million in August 2008.

EMPLOYEES

As at 30th June 2008, the Group employed 638 (31st December 2007: 656) full time employees, of which 633 (31st December 2007: 651) were based in Mainland China. The remuneration of the employees is based on work performance and years of experience.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30th June 2008, details of the share options granted to the directors of the Company are as follows:

Long positions in underlying shares

Name of grantee	Date of grant	Exercise price	Vesting and exercise period	Number of share options			
				Outstanding as at 1st January 2008	Granted during the period	Exercised during the period	Outstanding as at 30th June 2008
Mr. Hu Yangxiong	15th Jan 2008	HK\$0.74	16th Jan 2008 to 15th Jan 2010	-	3,154,000	-	3,154,000
Mr. Sha Yingjie	25th May 2006	HK\$0.45	25th May 2006 to 25th May 2008	2,000,000	-	(2,000,000)	-
	15th Jan 2008	HK\$0.74	16th Jan 2008 to 15th Jan 2010	-	2,000,000	-	2,000,000
Mr. Qu Jiaqi	25th May 2006	HK\$0.45	25th May 2006 to 25th May 2008	3,900,000	-	(3,900,000)	-
	15th Jan 2008	HK\$0.74	16th Jan 2008 to 15th Jan 2010	-	2,000,000	-	2,000,000
Mr. Li Haogang	25th May 2006	HK\$0.45	25th May 2006 to 25th May 2008	3,022,250	-	(3,022,250)	-
	15th Jan 2008	HK\$0.74	16th Jan 2008 to 15th Jan 2010	-	2,000,000	-	2,000,000
Mr. Leung Siu Kuen	15th Jan 2008	HK\$0.74	16th Jan 2008 to 15th Jan 2010	-	1,500,000	-	1,500,000
				<u>8,922,250</u>	<u>10,654,000</u>	<u>(8,922,250)</u>	<u>10,654,000</u>

All the interests stated above represents long positions. No short positions were recorded in the register maintained by the Company under Section 352 of the SFO as at 30th June 2008.

Save as disclosed above, as at 30th June 2008, none of the directors or chief executives of the Company had, under Divisions 7 and 8 of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be notified to the Company and the Stock Exchange or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or are required pursuant to the Model Code.

SHARE OPTION SCHEME

In accordance with the terms of the share option scheme adopted by the Company on 6th November 2001 (the "Share Option Scheme"), the Company may grant options to executive directors, employees and consultants of the Company to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued in the exercise of options. The subscription price will be determined by the directors of the Company by reference to (i) the nominal value of the shares, (ii) the closing price per share as stated in the Stock Exchange, and (iii) the average closing price of the shares quoted on the Stock Exchange on the five trading days immediately proceeding the date of the grant of the options, whichever is higher.

The share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 15th January 2008, 49,106,000 share options were granted.(Note 3 to the Condensed Interim Financial Statements)

During the six months ended 30th June 2008, 22,922,250 share options were exercised and 22,922,250 ordinary shares were thus issued at HK\$0.45 per share; 2,000,000 share options were cancelled on the expiration of the option period; and 28,968,000 share options were forfeited as the vesting conditions were not fulfilled.

As at 30th June 2008, the Company had 36,506,900 share options outstanding under the Scheme which represented approximately 3.75% of the Company's ordinary shares in issue as at that date. The exercise in full of these remaining share options would, under the present capital structure of the Company, result in the increase of 36,506,900 additional ordinary shares of the Company and additional share capital of HK\$3,650,690 and share premium of approximately HK\$19,145,000 (before issue expenses).

SIGNIFICANT SUBSEQUENT EVENTS

Please refer to Note 16 - Post Balance Sheet Events of the Notes to the Condensed Interim Financial Statements.

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30th June 2008, the Group's operation of department stores earned revenue and incurred costs in Renminbi. Renminbi was relatively stable during the period. The Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

CONTINGENT LIABILITIES

As at 30th June 2008, the Group and the Company had no contingent liabilities.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2008.

CORPORATE GOVERNANCE

The Board considers that the Company has complied throughout the six months ended 30th June 2008 with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules stated as follows:

Board of Directors

Reasonable notices were given to all directors an opportunity to attend board meetings, although not all notices were issued for at least 14 days. The board reviewed the situation and resolved to give at least 14 days notice to all directors for regular board meetings in future. Mr. Wu Yijian, the ex-Chairman, and Mr. Hu Yangxiong, the Vice Chairman, Chief Executive and Executive Director are responsible for the Company's strategy and the day-to day management. The board believes that this structure helps maintain strong leadership which results in efficient decision making process and the separation of duties between the Chairman and Vice Chairman could ensure a balance of power and authority, so that power is not concentrated on any one individual.

Code Provision 4.1

Code Provision 4.1 stipulated that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing Independent Non-Executive Directors of the Company is appointed for a specific term. However, all the Directors (Executive and Independent Non-Executive) are subject to retirement at least once every three years under Bye-Law 87(1) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Nomination Committee

No nomination committee is currently in place but Executive Directors usually consult Independent Non-Executive Directors on nominations to the Board.

Remuneration Committee

The Board has set up a remuneration committee and has adopted terms of reference on 10th March 2006. The remuneration committee is responsible for reviewing the remuneration packages of Executive Director and Senior Management, including bonuses and options granted under the Share Option Scheme, to ensure that such remuneration is reasonable and not excessive. The committee shall consist of not less than 2 members. Currently, the remuneration committee consists of three Independent Non-Executive Directors: Mr. Xiao Ming, Mr. Chan Wai Kwong, Peter, and Mr. Fu Wing Kwok, Ewing and one Executive Director, Mr. Hu Yangxiong.

Others

As the Chairman of the Board was engaged in business outside Hong Kong, he did not attend the annual general meeting of the Company for the year 2007 held on 6th June 2008, which is deviated from the requirements set out in Code Provision E.1.2. However, due to the present advance communication technology, we have started to arrange teleconference with those Directors who are not in Hong Kong when there is a meeting which requires their attendance. Hence, in the future, the communication and attendance of the Directors will not be a problem to the Group.

Audit Committee

The primary objective of the Audit Committee is to review the financial reporting process of the Group and its internal control system, oversee the audit process and to perform other duties assigned by the Board and make recommendations to the Company to improve the quality of financial information to be disclosed. The audit committee shall consist of not less than 3 members. Currently, the audit committee consists of three Independent Non-Executive Directors: Mr. Xiao Ming, Mr. Chan Wai Kwong, Peter, and Mr. Fu Wing Kwok, Ewing and one Executive Director, Mr. Hu Yangxiong.

The audit committee has reviewed with management and PKF, Certified Public Accountants the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30th June 2008.

During the six months ended 30th June 2008, the Board appointed an international management consultancy firm, Baker Tilly Hong Kong Business Services Limited, to conduct a review of the internal controls system of the Group with particular focus on corporate governance, inventory management cycle, fixed assets management cycle, and financial reporting cycle. The results of the internal control review were submitted to the Audit Committee for consideration. The Audit Committee has reviewed the results of the internal control review and is satisfied with the Group's internal controls.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2008.

Hu Yangxiong

Vice Chairman and Chief Executive Officer

Hong Kong, 16th September 2008

As at the date of this announcement, the Board comprises six executive directors, namely Messrs. Hu Yangxiong, Qu Jiaqi, Li Haogang, Sha Yingjie, Lai Chik Fan and Leung Siu Kuen, and three independent non-executive directors namely Messrs. Chan Wai Kwong, Peter, Xiao Ming, and Fu Wing Kwok Ewing.