



INTERIM REPORT 2007

嘉利美商國際有限公司

**FRANKIE DOMINION**

**INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

Stock code: 704

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Lam Po Kwai, Frankie (*Chairman*)

Ms. Wong Yau Ching, Maria  
(*Vice Chairman*)

Ms. Lee Yuen Bing, Nina

Ms. So Man Yee, Katherine

Mr. Au Son Yiu

(*Independent Non-Executive Director*)

Mr. Lee Johnson

(*Independent Non-Executive Director*)

Dr. Tang Tin Sek, Terence

(*Independent Non-Executive Director*)

### **AUDIT COMMITTEE**

Mr. Lee Johnson

Mr. Au Son Yiu

Dr. Tang Tin Sek, Terence

### **COMPANY SECRETARY**

Mr. Cheung Chiu Fan

### **COMPANY SOLICITORS**

*In Hong Kong*

Sit, Fung, Kwong & Shum

Deacons

*In Bermuda*

Appleby Spurling Hunter

### **AUDITORS**

Deloitte Touche Tohmatsu

*Certified Public Accountants*

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking  
Corporation Limited

Hang Seng Bank Limited

### **SHARE REGISTRARS AND TRANSFER OFFICE**

*In Hong Kong*

Tricor Secretaries Limited

*In Bermuda*

Butterfield Corporate Services Limited

### **PRINCIPAL OFFICE IN HONG KONG**

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### **REGISTERED OFFICE**

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

## INTERIM RESULTS

The board of directors (the “Board”) of Frankie Dominion International Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2007 with comparative figures for the corresponding period of 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30th June,</b>	
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenue	3	<b>291,366</b>	324,920
Cost of sales		<b>(280,042)</b>	(290,310)
Gross profit		<b>11,324</b>	34,610
Other income		<b>6,617</b>	2,292
Distribution costs		<b>(8,453)</b>	(10,919)
Administrative expenses		<b>(28,898)</b>	(30,323)
Change in fair value on investments held for trading			
– realized gain		<b>2,019</b>	–
– unrealized gain (loss)		<b>433</b>	(820)
Finance costs	4	<b>(2,274)</b>	(2,960)
Share of gain of associates		–	341
Gain on disposal of an associate		–	66
Discount on acquisition of additional interests in a subsidiary		–	12,340
(Loss) profit before taxation	5	<b>(19,232)</b>	4,627
Taxation	6	<b>(7)</b>	–
(Loss) profit for the period		<b>(19,239)</b>	4,627
Attributable to:			
Equity holders of the Company		<b>(19,239)</b>	6,266
Minority interests		–	(1,639)
		<b>(19,239)</b>	4,627
Basic (loss) earnings per share	7	<b>(HK4.03 cents)</b>	HK1.31 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

	At <b>30th June, 2007</b> (Unaudited) <i>HK\$'000</i>	At 31st December, 2006 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	109,505	114,945
Prepaid lease payments	17,455	22,019
Interests in associates	–	314
Available-for-sale investment	880	880
	<b>127,840</b>	138,158
<b>Current assets</b>		
Inventories	75,084	67,563
Debtors, bills receivable and prepayments	90,719	92,810
Prepaid lease payments	380	627
Investments held for trading	728	8,630
Tax recoverable	1,955	1,949
Short term bank deposits	16,254	39,505
Short term pledged bank deposits	2,863	2,840
Bank balances and cash	41,587	41,919
	<b>229,570</b>	255,843
<b>Current liabilities</b>		
Creditors, bills payable and accrued charges	93,137	96,751
Amount due to an associate	–	294
Bank borrowings – due within one year	55,780	70,028
	<b>148,917</b>	167,073
<b>Net current assets</b>	<b>80,653</b>	88,770
	<b>208,493</b>	226,928
<b>Capital and reserves</b>		
Share capital	47,793	47,793
Reserves	156,014	174,449
Equity attributable to equity holders of the Company	<b>203,807</b>	222,242
Non-current liability Deferred taxation	4,686	4,686
	<b>208,493</b>	226,928
	<b>208,493</b>	226,928

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30th June, 2007*

	Attributable to equity holders of the Company								
	Share capital	Share premium	Special Reserve	Translation reserve	Capital redemption reserve	Retained Profits (deficit)	Total	Minority interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2006	47,793	144,997	18,236	3,430	85	(11,382)	203,159	41,412	244,571
Release of translation reserve upon disposal of an associate	–	–	–	(255)	–	–	(255)	–	(255)
Profit (loss) for the year	–	–	–	–	–	6,266	6,266	(1,639)	4,627
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total recognised income for the year	47,793	144,997	18,236	3,175	85	(5,116)	209,170	39,773	248,943
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	(17,354)	(17,354)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2006 (unaudited)	<u>47,793</u>	<u>144,997</u>	<u>18,236</u>	<u>3,175</u>	<u>85</u>	<u>(5,116)</u>	<u>209,170</u>	<u>22,419</u>	<u>231,589</u>
At 1st January, 2007	47,793	144,997	18,236	3,601	85	7,530	222,242	–	222,242
Exchange differences arising on translation of foreign operation	–	–	–	804	–	–	804	–	804
Loss for the year	–	–	–	–	–	(19,239)	(19,239)	–	(19,239)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total recognised expense for the period	–	–	–	804	–	(19,239)	(18,435)	–	(18,435)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2007 (unaudited)	<u>47,793</u>	<u>144,997</u>	<u>18,236</u>	<u>4,405</u>	<u>85</u>	<u>(11,709)</u>	<u>203,807</u>	<u>–</u>	<u>203,807</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June,	
	2007	2006
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(14,173)	(3,558)
Net cash from (used in) investing activities		
Purchase of property, plant and equipment	(5,855)	(2,700)
Proceed from disposals of property, plant and equipment	12,002	187
Other investing activities	965	(1,195)
	7,112	(3,708)
Net cash (used in) from financing activities		
New bank borrowings raised	146,298	237,775
Repayments of bank borrowings	(160,546)	(242,433)
Interest paid	(2,273)	(2,960)
	(16,521)	(7,618)
Net decrease in cash and cash equivalents	(23,582)	(14,884)
Cash and cash equivalents at 1st January	81,423	89,462
Cash and cash equivalents at 30th June	57,841	74,578
Analysis of the balances of cash and cash equivalents		
Being:		
Short term bank deposits	16,254	40,137
Bank balances and cash	41,587	34,441
	57,841	74,578

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations, Hong Kong Financial Report Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## 2. Principal accounting policies

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC) – INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006

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 recognized.



The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

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 arrangement <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008

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.

### 3. Revenue

Revenue represents the net amounts received and receivables for goods sold by the Group to outside customers, less returns and allowance for the six months ended 30th June, 2007.

#### *Business segments*

The Group is mainly engaged in trading, manufacturing and sale of household and other consumer products and operates under three divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Trading	–	resale of household products
Manufacturing – household products	–	manufacturing and sale of household products
Manufacturing – others	–	manufacturing and sale of other consumer products

Segment information about these businesses is presented below.

**Unaudited income statement for the six months ended 30th June, 2007**

	Trading <i>HK\$'000</i>	Manufacturing – household products <i>HK\$'000</i>	Manufacturing – others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>				
External sales	<u>75,780</u>	<u>47,096</u>	<u>168,490</u>	<u>291,366</u>
<b>Results</b>				
Segment results	<u>4,815</u>	<u>5,862</u>	<u>(7,806)</u>	2,871
Unallocated income and expenses				(22,281)
Change in fair value on investments held for trading				2,452
Finance costs				<u>(2,274)</u>
Loss before taxation				(19,232)
Taxation				<u>(7)</u>
Loss for the period				<u>(19,239)</u>

Unaudited income statement for the six months ended 30th June, 2006

	Trading <i>HK\$'000</i>	Manufacturing – household products <i>HK\$'000</i>	Manufacturing – others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>				
External sales	96,182	50,778	177,960	324,920
	<u>96,182</u>	<u>50,778</u>	<u>177,960</u>	<u>324,920</u>
<b>Results</b>				
Segment results	4,270	8,808	10,613	23,691
	<u>4,270</u>	<u>8,808</u>	<u>10,613</u>	
Unallocated income and expenses				(28,031)
Change in fair value on investments held for trading				(820)
Finance costs				(2,960)
Share of gain of associates				341
Gain on disposal of an associate				66
Discount on acquisition of additional interests in a subsidiary	–	–	12,340	12,340
				<u>12,340</u>
Profit before taxation				4,627
Taxation				–
				<u>–</u>
Profit for the period				4,627
				<u>4,627</u>

### Geographical segments

The Group's operations are mainly located in Hong Kong and the People's Republic of China (other than Hong Kong) (the "PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

<b>Geographical market</b>	<b>Sales revenue by geographical market for the six months ended 30th June,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
North America	<b>96,571</b>	95,534
Holland	<b>80,050</b>	84,880
Germany	<b>20,449</b>	35,701
United Kingdom	<b>38,701</b>	49,583
France	<b>3,346</b>	8,496
Other European countries	<b>23,042</b>	15,423
Hong Kong	<b>11,146</b>	19,573
Australia	<b>7,938</b>	7,366
China	<b>5,297</b>	5,677
Others	<b>4,826</b>	2,687
	<b>291,366</b>	324,920

#### 4. Finance costs

Finance costs represent interest expense on bank borrowings.

#### 5. (Loss) profit before taxation

(Loss) profit before taxation has been arrived at after charging:

	<b>For the six months ended 30th June,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments	<b>3,995</b>	(401)
Depreciation and amortisation	<b>8,080</b>	8,830
Operating lease payments in respect of rented properties	<b>6,775</b>	7,745

## 6. Taxation

	For the six months ended 30th June,	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax	–	–
Overseas taxation	7	–
	<u>7</u>	<u>–</u>
	<u><u>7</u></u>	<u><u>–</u></u>

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong for the current and prior period.

## 7. (Loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to equity holders of the Company of approximately HK\$19,239,000 for the period (2006: profit of approximately HK\$6,266,000) and approximately 477,926,000 (2006: approximately 477,926,000) shares in issue during the period.

No diluted earnings per share is shown as there is no dilutive effect on the earnings per share for the six months ended 30th June, 2006 and 30th June, 2007.

## 8. Property, plant and equipment

During the period, the Group spent approximately HK\$5,855,000 (2006: approximately HK\$2,700,000) on additions to property, plant and equipment to upgrade its manufacturing capabilities.

## 9. Debtors, bills receivable and prepayments

	30th June, 2007	31st December, 2006
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Trade debtors and bills receivable	68,416	87,173
Less: Allowances for bad and doubtful debts	(2,444)	(2,598)
Other debtors and prepayments	24,747	8,235
	<u>90,719</u>	<u>92,810</u>
	<u><u>90,719</u></u>	<u><u>92,810</u></u>

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade debtors and bills receivable as at the reporting date:

	<b>30th June, 2007 (unaudited) HK\$'000</b>	31st December, 2006 (audited) HK\$'000
0 – 60 days	<b>51,926</b>	71,185
61 – 90 days	<b>4,676</b>	6,360
> 90 days	<b>9,370</b>	7,030
	<b><u>65,972</u></b>	<b><u>84,575</u></b>

#### 10. Creditors, bills payable and accrued charges

	<b>30th June, 2007 (unaudited) HK\$'000</b>	31st December, 2006 (audited) HK\$'000
Trade creditors	<b>59,328</b>	58,723
Bills payable	<b>14,171</b>	16,373
Other creditors and accrued charges	<b>19,638</b>	21,655
	<b><u>93,137</u></b>	<b><u>96,751</u></b>

The following is an aged analysis of trade creditors and bills payable as at the reporting date:

	<b>30th June, 2007 (unaudited) HK\$'000</b>	31st December, 2006 (audited) HK\$'000
0 – 60 days	<b>55,617</b>	59,473
61 – 90 days	<b>13,899</b>	11,067
> 90 days	<b>3,983</b>	4,556
	<b><u>73,499</u></b>	<b><u>75,096</u></b>

## 11. Share capital

There were no movements in the share capital of the Company during the period from 1st January, 2007 to 30th June, 2007.

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	30th June, 2007 (unaudited)	31st December, 2006 (audited)	30th June, 2007 (unaudited) HK\$	31st December, 2006 (audited) HK\$
Authorised:				
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
Ordinary share of HK\$0.1 each	<u>477,926,292</u>	<u>477,926,292</u>	<u>47,792,629</u>	<u>47,792,629</u>

## 12. Capital commitments

	30th June, 2007 (unaudited) HK\$'000	31st December, 2006 (audited) HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>1,146</u>	<u>314</u>

## **INTERIM DIVIDEND**

The Board has resolved not to pay any interim dividend for the six months ended 30th June, 2007 (2006: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the six months ended 30th June, 2007, the Group recorded an unaudited turnover of approximately HK\$291,366,000, representing a decrease of 10.33% from approximately HK\$324,920,000 for the same period in the previous year. The Group's unaudited loss attributable to shareholders amounted to HK\$19,239,000 compared with a profit of approximately HK\$6,266,000 for the previous corresponding period. Loss per share was HK4.03 cents (2006 comparative figures for the same period: earnings per share HK1.31 cents). The loss was mainly due to stagnant sales and the persisting high levels of production cost as a result of fluctuating raw materials prices. Rise in wages and shortage of labor in Guangdong also further eroded the Group's bottom line.

During the period under review, the Group continued to face severe challenges. The Group's major markets remained sluggish. Demand for household products slackened while competition was fierce that resulted in intense pressure on profit margins. To enhance the quality of earnings, the Groups focused its efforts on orders with better profit margin rather than low margin sales orders, which eventually led to a decline in sales.

### **Bigfield Goldenford Holdings Limited**

Bigfield Goldenford Holdings Limited ("Bigfield Goldenford") recorded a half year turnover of approximately HK\$165 million, a decrease of 6.35% from that of the previous corresponding period. Net loss for the period enlarged by 484% to approximately HK\$16.14 million as compared to a loss of approximately HK\$2.76 million in the first half of 2006.



## **Frankie Dominion (Holdings) Limited**

Frankie Dominion (Holdings) Limited also recorded a decline in business operation during the period. Turnover decreased by 16.27% to approximately HK\$132.12 million for the six months ended 30th June, 2007 as compared to approximately HK\$157.79 million for the same period in 2006.

### **Finance costs**

As a result of decreasing bank borrowings, finance costs slightly dropped to 0.78% of the Group's turnover as at 30th June, 2007 compared with 0.91% as at 30th June, 2006.

### **Charges over assets**

Save for a bank deposit of approximately HK\$2.9 million (2006: approximately HK\$2.7 million), no other property, plant and equipment with any carrying value is pledged to any bank to secure banking facilities granted to subsidiaries.

### **Net asset value**

As at 30th June, 2007, net assets attributable to equity holders of the Company amounted to approximately HK\$203.81 million (2006: approximately HK\$209.17 million), equivalent to approximately HK\$0.426 (2006: approximately HK\$0.438) per share.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Net current assets and current ratio were approximately HK\$88,770,000 and 1.53:1 as at 31st December, 2006 and approximately HK\$80,653,000 and 1.54:1 as at 30th June, 2007. A slight increase in current ratio is largely due to a decrease in bank borrowings.

The Group's bank balances and cash equivalents amounted to approximately HK\$57,841,000 as at 30th June, 2007 (31st December, 2006: approximately HK\$81,424,000) and bank borrowings amounted to approximately HK\$55,780,000 (31st December, 2006: approximately HK\$70,028,000). Therefore, the calculation of net debt to equity ratio was not applicable because the Group had surplus cash of approximately HK\$2,061,000 over bank borrowings (31st December, 2006: approximately HK\$11,396,000).

As at 30th June, 2007, the Group did not engage in foreign currency speculation or any financial instrument used for hedging purposes.

The Group generally finances its business with internally generated cash flows and revolving credit facilities provided by the Group's principal bankers. With net current assets of approximately HK\$80,653,000 the management believes that the Group has sufficient financial resources to discharge its debts and to finance its daily operations and capital expenditure.

## **PROSPECTS**

The outlook for the household product manufacturing industry will remain extremely challenging. In this difficult operating environment, the Group is facing a rise in raw material and labor costs, gradual appreciation of Renminbi and shareholders' expectation of improved bottom-line. The first two are results of the shifts in the macroeconomic environment and has an impact upon the final one. As a manufacturer in Guangdong, the Group cannot change the macroeconomic environment. Nevertheless, the Group can ride on the mega trend and provide reasonable returns to its shareholders. To cope with changes in the macroeconomic environment, the Group will adopt the strategies in cost control, innovation and high efficiency.

Cost control is one of the most important means for improving our bottom-line. Apart from streamlining our workforce, the Group will instill cost efficacy consciousness into all of the staff. With the implementation of various cost control measures, the management is confident to maintain our production and administrative costs at a competitive level. The Group's research and development team has strong innovative capabilities in developing new products and they can enrich the product mix with enhanced features meeting market needs and commanding better price and margins. The Group continues to implement various measures to strive higher operational efficiency and lower wastage at all levels of the Group. The Group will further its efforts on negotiation with customers for increasing the prices.

With all of the above measures in place, the management is confident that the Group will be able to improve its results in the second half of 2007 and meet the shareholders' expectation.

## **OTHER INFORMATION**

### **EMPLOYEES AND REMUNERATION**

As at 30th June, 2007, the Group had approximately 3,850 employees (31st December, 2006: approximately 4,500 employees). Less than 100 staff are stationed in Hong Kong and the rest are PRC workers. The Group's staff cost amounted to approximately HK\$45.20 million for the six months ended 30th June, 2007 and approximately HK\$39.38 million for the corresponding period of last year.

Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment and a year-end performance bonus to reward and motivate individual performance. No share option has been granted under the share option scheme adopted by the Company up to the date of this report.

### **AUDIT COMMITTEE**

The Audit Committee is composed of three independent non-executive directors. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. It has reviewed the interim financial statements for the six months ended 30th June, 2007.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied throughout the six months ended 30th June, 2007 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules except for the following deviations.

Under CG Code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. Bye-law 99 (as amended by Bye-law 182(vi)) of the Company's Bye-laws provides that one-third of the directors (other than Chairman or Managing Director) for the time being shall retire from office and shall be eligible for re-election at each annual general meeting. The Board considers that with seven directors and one-third of them being subject to retirement at every annual general meeting, all of them (apart from the Chairman or Managing Director) should be retired by rotation at least once every three years. In relation to the provision in the Bye-law that the Chairman or Managing Director shall not be subject to retirement by rotation, the Board considers that deviation from Code A.4.2 of the CG Code is

acceptable due to the fact that Mr. Lam Po Kwai, Frankie, the Chairman of the Board is the founder of the Group and is eligible to remain in such offices during his lifetime and does not need to be subject to retirement by rotation.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by the directors of the Company (the “Code”). Having made specific enquiry of the directors of the Company, all directors confirmed that they had complied with the required standard as set out in the Code during the six months ended 30th June, 2007.

## DIRECTORS’ INTERESTS IN SHARES

As at 30th June, 2007, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (“SFO”) or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### Long position – ordinary shares of HK\$0.1 each of the Company

Name of director	Number of shares held		Total number of issued ordinary shares held	Percentage of the issued share capital
	Personal interest	Corporate interest		
Mr. Lam Po Kwai, Frankie	43,545,785	104,729,411 (a)	148,275,196 (c)	31.02%
Ms. Wong Yau Ching, Maria	73,433	–	73,433	0.01%
Ms. Lee Yuen Bing, Nina	867,059	24,367,798 (b)	25,234,857 (d)	5.28%

#### Notes:

- (a) These shares are held through Carrson Holdings Investment Limited and Frankfort Capital Investment Limited, both of which are companies beneficially owned by Mr. Lam Po Kwai Frankie.
- (b) These shares are held through Join Admin Benefit Corporation Limited, a company beneficially owned by Ms. Lee Yuen Bing Nina.

- (c) Ms. Lee Yuen Bing, Nina is the spouse of Mr. Lam Po Kwai, Frankie and is deemed to be interested in these shares.
- (d) Mr. Lam Po Kwai, Frankie is the spouse of Ms. Lee Yuen Bing, Nina and is deemed to be interested in these shares.

Save as disclosed above, except for certain nominee shares in subsidiaries held by Mr. Lam Po Kwai, Frankie in trust for the Group, none of the directors or their associates had any interests or short positions in any shares of the Company or any of its associated corporations as at 30th June, 2007.

## **SUBSTANTIAL SHAREHOLDERS' INTEREST**

As at 30th June, 2007, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, other than interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### **Long position – ordinary shares of HK\$0.1 each of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital</b>
Solidpole Ltd.	Beneficial owner	34,855,428	7.29%
China Everbright Holdings Company Ltd.	Held by controlled corporation	34,855,428(e)	7.29%

*Note (e)* : China Everbright Holdings Company Ltd. is the holding company of Solidpole Ltd. and is deemed to be interested in these shares.

Other than the interests disclosed above the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person having a notifiable interest or short position in the issued share capital of the Company as at 30th June, 2007.

## **PURCHASE, SALE OR REDEMPTION OF OWN LISTED SECURITIES**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Lam Po Kwai, Frankie**  
*Chairman*

Hong Kong, 18th September, 2007