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*This report, for which the directors (the "Directors") of DeTeam Company Limited (the "Company" and together with its subsidiaries, the "Group") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **DeTeam Company Limited**

**弘海有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8112)

### **HALF YEARLY REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008**

#### **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE**

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\* *For identification only*

## HIGHLIGHTS FOR THE HALF YEARLY PERIOD

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- Turnover of the Group for the six months ended 30 June 2008 was approximately HK\$155,111,000 representing an increase of 93% over the corresponding period in 2007.
- The Group recorded a profit attributable to equity holders of approximately HK\$20,843,000 for the six months ended 30 June 2008.
- The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2008.

## RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June, 2008, together with the unaudited comparative figures for the corresponding periods in 2007 are as follows:

### Condensed Consolidated Income Statement – unaudited

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000 (Restated)	2008 HK\$'000	2007 HK\$'000 (Restated)
<b>Continuing operations</b>					
<b>Turnover</b>	2	<b>79,152</b>	43,087	<b>155,111</b>	80,302
Cost of sales		<b>(63,931)</b>	(34,076)	<b>(124,775)</b>	(64,202)
<b>Gross profit</b>		<b>15,221</b>	9,011	<b>30,336</b>	16,100
Other income		<b>688</b>	15	<b>1,912</b>	29
Administrative expenses		<b>(4,237)</b>	(2,148)	<b>(7,783)</b>	(3,418)
<b>Profit from operations</b>		<b>11,672</b>	6,878	<b>24,465</b>	12,711
Finance Cost		<b>(46)</b>	(244)	<b>(51)</b>	(244)
<b>Profit before tax</b>		<b>11,626</b>	6,634	<b>24,414</b>	12,467
Income tax	3	<b>(1,880)</b>	–	<b>(4,334)</b>	–
<b>Profit for the period from continuing operations</b>		<b>9,746</b>	6,634	<b>20,080</b>	12,467
<b>Discontinued operation</b>					
Loss for the period from discontinued operation		–	(37)	–	(934)
<b>Profit for the period</b>		<b>9,746</b>	6,597	<b>20,080</b>	11,533
<b>Attributable to:</b>					
Equity holders of the Company		<b>10,813</b>	6,597	<b>20,843</b>	11,533
Minority Interests		<b>(1,067)</b>	–	<b>(763)</b>	–
		<b>9,746</b>	6,597	<b>20,080</b>	11,533
<b>Earnings per share</b>					
	5				
From continuing and discontinued operations					
– Basic		<b>2.55 cents</b>	2.16 cents	<b>4.92 cents</b>	3.85 cents
– Diluted		<b>N/A</b>	2.16 cents	<b>N/A</b>	3.85 cents
From continuing operations					
– Basic		<b>2.55 cents</b>	2.17 cents	<b>4.92 cents</b>	4.16 cents
– Diluted		<b>N/A</b>	2.17 cents	<b>N/A</b>	4.16 cents

## Condensed Consolidated Balance Sheet

		As at 30 June 2008 HK\$'000 (Unaudited)	As at 31 December 2007 HK\$'000 (Audited)
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	106,963	89,796
Prepaid land lease payments		373	358
Intangible asset		34,027	24,873
Interests in associates	7	–	–
		<u>141,363</u>	<u>115,027</u>
<b>Current assets</b>			
Inventories		39,612	24,475
Prepaid land lease payments		123	123
Trade receivables	8	24,189	9,369
Deposits, prepayments and other receivables		23,735	23,802
Cash and bank balances		197,052	201,517
		<u>284,711</u>	<u>259,286</u>
<b>Current liabilities</b>			
Trade payables	9	10,152	4,506
Accrued charges and other payables		9,360	8,771
Short term borrowings		7,778	–
Current tax liabilities		2,806	–
		<u>30,096</u>	<u>13,277</u>
<b>Net Current Asset</b>		<u>254,615</u>	<u>246,009</u>
<b>NET ASSETS</b>		<u>395,978</u>	<u>361,036</u>
<b>EQUITY</b>			
<b>Capital and reserve</b>			
Share capital	10	42,355	42,355
Other reserves		317,068	311,681
Accumulated profit/(losses)		3,827	(17,016)
		<u>363,250</u>	<u>337,020</u>
Equity attributable to equity holders of the Company		363,250	337,020
Minority interests		32,728	24,016
<b>TOTAL EQUITY</b>		<u>395,978</u>	<u>361,036</u>

**Condensed Consolidated Cash Flow Statement – unaudited**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Net cash inflow/(outflow) from operating activities	<b>(71)</b>	9,341
Net cash inflow/(outflow) from investing activities	<b>(12,171)</b>	(4,288)
	<hr/>	<hr/>
Net cash inflow/(outflow) before financing activities	<b>(12,242)</b>	5,053
Net cash inflow from financing activities	<b>7,777</b>	78,242
	<hr/>	<hr/>
Increase/(Decrease) in cash and cash equivalents	<b>(4,465)</b>	83,295
Cash and cash equivalents at 1 January 2008	<b>201,517</b>	7,828
	<hr/>	<hr/>
Cash and cash equivalents at 30 June 2008	<b>197,052</b>	91,123
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>197,052</b>	91,123
	<hr/> <hr/>	<hr/> <hr/>

**Condensed Consolidated Statement of Changes in Equity – unaudited**

Movements in the share capital and reserves of the Group were as follows:

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated Profit <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2008	42,355	307,239	(1,628)	6,070	(17,016)	337,020
Exchange difference	-	-	-	5,387	-	5,387
Profit for the period	-	-	-	-	20,843	20,843
	<u>42,355</u>	<u>307,239</u>	<u>(1,628)</u>	<u>11,457</u>	<u>3,827</u>	<u>363,250</u>
At 30 June 2008	<u>42,355</u>	<u>307,239</u>	<u>(1,628)</u>	<u>11,457</u>	<u>3,827</u>	<u>363,250</u>

  

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2007	29,606	45,917	(1,628)	365	(53,089)	21,171
Issue of shares from placing	5,690	79,660	-	-	-	85,350
Issuing expenses	-	(2,467)	-	-	-	(2,467)
Exchange Difference	-	-	-	348	-	348
Profit for the period	-	-	-	-	11,533	11,533
	<u>35,296</u>	<u>123,110</u>	<u>(1,628)</u>	<u>713</u>	<u>(41,556)</u>	<u>115,935</u>
At 30 June 2007	<u>35,296</u>	<u>123,110</u>	<u>(1,628)</u>	<u>713</u>	<u>(41,556)</u>	<u>115,935</u>

Notes:

### 1. Basis of preparation

The accompanying unaudited consolidated results of the Group are prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRS'). The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

The consolidated results are unaudited but have been reviewed by the Company's audit committee in accordance with rule 5.30 of the Gem Listing rule.

### 2. Turnover

The Group's turnover which represents sales of plastic woven bags and sales of coal are as follows:-

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Sales of plastic woven bags	152,467	80,302
Sales of coal	2,644	–
Revenue from transportation technology solution contracts	–	797
	<u>155,111</u>	<u>81,099</u>
Representing:		
Continuing operations	155,111	80,302
Discontinued operation (revenue from transportation technology solution contracts)	–	797
	<u>155,111</u>	<u>81,099</u>

No geographical segment information is presented as substantially all the Group's turnover and contribution to operating results were derived from the PRC and substantially all customers and assets are located in the PRC.

### 3. Income tax expense

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the year ended 30 June 2008 (2007: HK\$Nil).

Under the Law of the People's Republic of China on Enterprise Income Taxes ("New Income Tax Law") with effect from 1 January 2008, the subsidiary, Changchun Yicheng Packaging Company Limited ("Changchun Yicheng") operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with New Income Tax Law. Pursuant to a notice issued by Changchun Green District State Tax Bureau (長春綠園國家稅務局), Changchun Yicheng is exempted from enterprise income tax from 1 May 2006 to 31 December 2007, followed by a 50% reduction for the next three years.

The subsidiary, Inner Mongolia Jinyuanli Underground Mining Company Limited ("Inner Mongolia Jinyuanli"), operating in the PRC, is subject to enterprise income tax rate of 25% on its taxable profit in accordance with the PRC Income Tax Law. No provision for enterprise income tax has been made as it has no assessable profit for the period.

#### 4. Dividend

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

#### 5. Earnings per share

(a) *From continuing and discontinued operations*

Basic earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the six months and three months ended 30 June 2008 attributable to equity holders of the Company of HK\$20,843,000 and HK\$10,813,000 respectively (Profit attributable to the shareholders for the corresponding period in 2007: HK\$11,533,000 and HK\$6,597,000) and the weighted average number of ordinary shares of 423,552,000 (2007: 299,369,724 and 304,917,802) in issue during the period.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the period ended 30 June 2008. Diluted earnings per share for the six months and three months ended 30 June 2007 are calculated based on the Group's profit attributable to the shareholder of HK\$11,533,000 and HK\$6,597,000 and on the average number of 299,825,525 and 305,824,396 ordinary shares respectively.

(b) *From continuing operations*

Basic earnings per share

The calculation of basic earnings per share from continuing operations attributable to equity holders of the Company is based on the profit for the six months and three months ended 30 June 2008 from continuing operations attributable to equity holders of the Company of approximately HK\$20,843,000 and HK\$10,813,000 (2007: HK\$12,467,000 and HK\$6,634,000) and the denominators used are the same as that detailed above for basic earnings per share.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the period ended 30 June 2008. Diluted earnings per share for the six months and three months ended 30 June 2007 are calculated based on the Group's profit attributable to the shareholder of HK\$12,467,000 and HK\$6,634,000 and the denominators used are the same as that detailed above for diluted earnings per share.

(c) *From discontinued operation*

Basic earnings per share from the discontinued operation during the three month and six period ended 30 June 2008 is nil cent per share (Loss attributable to shareholder in corresponding period 2007 : HK\$934,000 and HK\$37,000) and the denominators used are the same as those detailed above for basic earnings per share.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive ordinary shares during the period ended 30 June 2008. Diluted earnings per share for the six months and three months ended 30 June 2007 are calculated based on the Group's loss attributable to the shareholder of HK\$934,000 and HK\$37,000 and the denominators used are the same as that detailed above for diluted earnings per share.



**6. Fixed assets**

	<b>Cost</b> <i>HK\$'000</i>	<b>Accumulated depreciation</b> <i>HK\$'000</i>	<b>Net book value</b> <i>HK\$'000</i>
As at 1 January 2008	95,176	(5,380)	89,796
Additions	14,345	–	14,345
Disposals	(296)	34	(262)
Depreciation	–	(1,913)	(1,913)
Exchange difference	5,620	(623)	4,997
	<u>114,845</u>	<u>(7,882)</u>	<u>106,963</u>
As at 30 June 2008	<u>114,845</u>	<u>(7,882)</u>	<u>106,963</u>

**7. Interests in an associated company**

	<b>30 June 2008</b> <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Share of net liabilities	(4,740)	(4,740)
Goodwill on acquisition of an associated company	–	–
Loan receivable	<u>7,488</u>	<u>7,488</u>
	<u>2,748</u>	<u>2,748</u>
Less : Impairment losses	<u>(2,748)</u>	<u>(2,748)</u>
	<u>–</u>	<u>–</u>

**8. Trade receivables**

As at 30 June 2008, the aging analysis of trade receivables were as follows:

	<b>30 June 2008</b> <i>HK\$'000</i>	31 December 2007 <i>HK\$'000</i>
Current to 90 days	24,189	9,369
91 to 180 days	–	–
181 to 270 days	–	–
271 to 360 days	–	–
Over 360 days	–	–
	<u>24,189</u>	<u>9,369</u>

The general credit terms of sales of bags are 30 days. As of 30 June 2008, all the trade receivables were within credit limit.

**9. Trade payables**

As at 30 June 2008, the aging analysis of trade payables were as follows:

	<b>30 June 2008 HK\$'000</b>	31 December 2007 HK\$'000
Current to 90 days	<b>8,369</b>	3,382
91 to 180 days	<b>27</b>	1,105
181 to 270 days	<b>1,737</b>	–
271 to 360 days	–	–
Over 360 days	<b>19</b>	19
	<u><b>10,152</b></u>	<u>4,506</u>

**10. Share capital**

**Authorised**  
**Ordinary shares of HK\$ 0.10 each**  
*No. of shares* *HK\$'000*

As at 31 December 2007 and 30 June 2008	<u>1,200,000,000</u>	<u>120,000</u>
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**Issued and fully paid**  
**Ordinary shares of HK\$ 0.10 each**  
*No. of shares* *HK\$'000*

As at 31 December 2007 and 30 June 2008	<u>423,552,000</u>	<u>42,355</u>
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**11. Segment Information**

An analysis of the Group's income and results for the six months ended 30 June 2008 and 2007 are as follows:

*Business segments*

The Group is primarily engaged in the production and sales of plastic woven bags, and coal mining and trading in the PRC.

As at the period ended 30 June 2008	Continuing operations			Discontinued operation	Total HK\$'000
	Plastic Woven Bags HK\$'000	Coal Trading HK\$'000	Sub-total HK\$'000	Transportation technology HK\$'000	
<b>REVENUE</b>					
Results	152,467	2,644	155,111	–	155,111
Segment results	26,867	(591)	26,276	–	26,276
Unallocated corporate revenue			–	–	–
Unallocated corporate expense			(3,105)	–	(3,105)
Operation profit excluding interest income/expenses			23,171	–	23,171
Interest income			1,243	–	1,243
Interest expenses			–	–	–
Profit before taxation			24,414	–	24,414
As at the period ended 30 June 2007	Continuing operations			Discontinued operation	Total HK\$'000
	Plastic Woven Bags HK\$'000	Coal Trading HK\$'000	Sub-total HK\$'000	Transportation technology HK\$'000	
<b>REVENUE</b>					
Results	80,302	–	80,302	797	81,099
Segment results	15,343	–	15,343	(934)	14,409
Unallocated corporate revenue			37	–	37
Unallocated corporate expense			(3,061)	–	(3,061)
Operation profit/(loss) excluding interest income/expenses			12,319	(934)	11,385
Interest income			266	–	266
Interest expenses			(118)	–	(118)
Profit/(loss) before taxation			12,467	(934)	11,533

## MANAGEMENT DISCUSSION AND ANALYSIS

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The Group is principally engaged in production and sales of plastic woven bags, paper bags and paper tubes in the PRC and is also engaged in coal mining and trading in the PRC.

### Financial review and Business Review

The Group achieved excellent results for the six months ended 30 June 2008. The Group recorded a turnover of approximately HK\$155 million representing an increase of approximately 93% over the corresponding period in 2007. The Group generated an operating profit from continuing operations of approximately HK\$24.5 million compared with an operating profit approximately HK\$12.7 million for the six months ended 30 June, 2007. The coal business as reflected in the segmental information included pre-operating and excavation expenses for underground coal mines of a loss of approximately HK\$1.44 million and profit from the distribution of coal from open-pit mines in the PRC of approximately HK\$0.85 million.

The excavation of the underground coal mine is in good progress and further contribution by our subsidiary of approximately HK\$11.7 million has been made during the period.

In April 2008, the Company entered into the Equity Transfer Agreement with Inner Mongolia Yuan Yuan Energy Resources Company Limited ("YYE") in relation to the acquisition of equity interest in Jilin De Feng Material Trading Company Limited ("De Feng") at a total consideration of RMB2,550,000. As the acquisition of De Feng is still in progress, the Group and Yuan Yuan has jointly appointed a coal trading company to handle the distribution of coal from open-pit mines in the PRC until the acquisition is completed.

In June 2007, Changchun Yicheng Packaging Company Limited ("Yicheng") entered into a short term bank loan agreement which provided for a secured loan RMB7,000,000. Yicheng used the loan for general working capital purpose.

### Liquidity and Financial Resources

The current ratio of the Group was 9.46 as at 30 June 2008 as compared to 19.5 as at 31 December 2007. The Group's gearing ratio, being the ratio of long-term debt by total asset, was nil as at 30 June 2008 and 31 December 2007.

The Group's sales and purchases are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. Since the exchange rate fluctuation between Hong Kong dollars and Renminbi has not been material, foreign exchange risk is very low and no hedging has been undertaken.

As at 30 June 2008, the Group did not have any material contingent liability and the Group's capital commitments as at 30 June 2008 was as follows:

	Six months ended	
	30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mining structure		
Contracted but not provided for	<b>3,173</b>	–

### Employees

The Group employed 542 full time employees as at 30 June 2008. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs and housing allowances.

### Capital Structure and Material acquisition

In April 2008, the Company entered into the Equity Transfer Agreement through its indirectly wholly owned subsidiary (Kotan Resources (China) Limited ("KRL") with Yuan Yuan in relation to the acquisition of equity interest in De Feng at a total consideration of RMB2,550,000. Upon completion of the Equity Transfer Agreement, KRL and YYE will hold 51% and 49% equity interests in the registered capital of De Feng respectively.

During the six months ended 30 June 2008, the short term bank loan of RMB7,000,000 is secured by Yicheng's plant and machinery, save as the above, the Group did not have any charges on its assets, and there were no changes in the Company's authorized share capital.

Save as the above transaction, there is no significant investment and material acquisition/disposal made during the report period.

### Prospects

As the engine of earnings to the Group, Changchun Yicheng will continue to bring significant earnings contribution to the Group. Due to the commencement of the large woven bags production and increasing orders of the small woven bags, it is expected that both the large and small plastic woven bags business will bring high returns to the shareholders.

The excavation of the underground coal mines is in good progress and it is expected that the underground coal mines will start production by the end of this year.

Save as the announcement which published on 24 April, 2008, the company entered into the Equity Transfer Agreement with Yuan Yuan in relation to the acquisition of equity interest in De Feng at a total consideration of RMB2,550,000. Upon completion of the Equity Transfer Agreement, the Group and YYE will hold 51% and 49% equity interests in the registered capital of De Feng respectively. It is intended that De Feng will substitute the Second JV Company and Yuan Yuan will base on the Open-pit coal Supply Agreement to supply at least 800,000 tons of coal to De Feng each year. The acquisition is in the final stage upon the approval of the Changchun Provincial Tax Bureau.

Due to great demand of electricity in China, the prospects for the coal mining industry and trading are enormous. The board is of view that the Group's participation in coal mining and trading industry is the main stream direction of the Group in future. The Board will continue to seek out coal investment opportunities with the aim to bring satisfactory reward to the shareholders.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2008, the interests and short positions of each Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the laws of Hong Kong) (the "SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### (I) Interests in shares of the Company (Note 1)

Name	Number of ordinary shares				Percentage of issued share capital
	Personal interests (Note 2)	Corporate Interests	Family interests	Other interests	
Mak Shiu Chung, Godfrey	–	58,132,000(L) (Note 4)	–	–	13.72%
Tsang Wai Sum	192,000(L)	–	–	–	0.05%

*Notes:*

1. As defined in section 311 of the SFO, a reference to interests in shares comprised in the relevant share capital of a listed corporation includes a reference to interests in shares so comprised, which are the underlying shares of equity derivatives.
2. These interests are the same interests as those described in Section (II) below.
3. The letter "L" denotes a long position in the shares.
4. These shares are beneficially owned by Lucky Team International Limited ("Lucky Team"), a company incorporated in the British Virgin Islands. By virtue of his 100% shareholding in Lucky Team, Mr. Mak Shiu Chung, Godfrey is deemed or taken to be interested in the 58,132,000 shares owned by Lucky Team.

**(II) Interests in equity derivatives (as defined in the SFO) in, or in respect of, underlying shares**

As at 30 June 2008, none of the Directors, Chief Executives of the Company or their associates had any interests in the shares or debentures of, or short positions in the shares of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

## **SHARE OPTION SCHEME**

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The Company's new share option scheme (the "New Scheme") was adopted at the annual general meeting held on 25 April 2003. A summary of the principal terms of the New Scheme is set out in the circular of the Company dated 31 March 2003.

Under the New Scheme, the Directors may, at their discretion, offer options to Participants (as defined in the circular of the Company dated 31 March 2003) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

No share options under the new Share Option Scheme adopted by the Company were granted during the three months ended 30 June 2008.

As at the period ended 30 June, 2008, there is no outstanding share option to be exercised under the New Scheme.

## **DIRECTORS' INTEREST IN CONTRACTS**

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No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

## SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the paragraph headed "Directors' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporations" above, as at 30 June 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations (other than the directors or chief executives of the Company) as having an interest of 5% or more of the issued share capital of the Company.

Name	Capacity/Nature of interest	Number of Shares	Percentage of issued share capital
Lucky Team	Beneficial Owner	58,132,000 (L) <i>(Note 1)</i>	13.72%
Xu Bin	Beneficial Owner	48,960,000(L) <i>(Note 2)</i>	11.56%
Li Gui Yan	Beneficial Owner	35,100,000 (L) <i>(Note 2)</i>	8.29%

*Notes:*

1. Lucky Team is a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Mak Shiu Chung, Godfrey, an executive director of the Company.
2. To the best knowledge of the Directors, this party is independent of and not connected with the directors, chief executives, substantial shareholders or management shareholders of the Company or any associate of any of them.
3. The letter "L" denotes a long position in the shares.

Save as disclosed above, as at 30 June 2008, the Directors are not aware of any other persons who has interests and/or short positions in the shares, underlying shares and debentures of, the Company or any associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO.



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

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Save as disclosed under the Section headed "Directors' and Chief Executive's Interests and Short Positions in the shares, Underlying Shares and Debentures of the Company or any Associated Corporations", as at 30 June 2008, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and Chief Executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Chief Executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

## **COMPETING INTEREST**

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None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

## **AUDIT COMMITTEE**

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The Company established an audit committee with written terms of reference in compliance in Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. During the three month ended 30 June, 2008, the audit committee comprises three members, Mr. Kwok Chi Shing, and Mr. Tsang Wai Sum and Mr. Yu Yang. All of them are independent non-executor Directors

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

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The Company has adopted a code of conduct regarding Directors' securities transactions on term no less exacting than the required standard dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rule throughout the period ended 30 June 2008, Having made specific enquiry of all Directors, the Directors have complied with such coded of conduct and the required standard of dealing throughout the period 30 June, 2008.

## **CORPORATE GOVERNANCE**

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During the six months ended 30 June, 2008, the Company has complied with the requirement of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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The Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries has purchased, sold any of the Company's shares.

By order of the Board  
**Mak Shiu Chung, Godfrey**  
*Chairman*

Hong Kong, 13 August 2008

As at the date of this report, the Board comprise:

### **Executive Directors**

Mr. Mak Shiu Chung, Godfrey  
Mr. Zhang Chao Liang  
Mr. Wang Hon Chen

### **Independent Non-Executive Directors**

Mr. Kwok Chi Shing  
Mr. Tsang Wai Sum  
Mr. Yu Yang