



Grandtop International Holdings Limited

泓鋒國際控股有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2309)

Interim Report 2006

\* For identification purpose only

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Ms. Mao Yue  
Ms. Bessie Siu  
Mr. Lee Yiu Tung

#### Non-executive Director

Mr. Fu Wing Kwok, Ewing

#### Independent Non-executive Directors

Mr. Liang Kwong Lim  
Mr. Chang Kin Man  
Mr. Ip Wing Lun

### COMPANY SECRETARY

Mr. Edmund Siu

### AUDIT COMMITTEE

Mr. Liang Kwong Lim  
Mr. Chang Kin Man  
Mr. Ip Wing Lun

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

No.1, 1st Floor, Pei Ho Building,  
115-117 Fuk Wa Street,  
Sham Shui Po, Kowloon,  
Hong Kong

### REGISTERED OFFICE

Century yard, Cricket Square,  
Hutchins Drive,  
P.O. Box 2681 GT, George Town  
Grand Cayman, British West Indies

### SHARE REGISTRAR

#### Principal share registrar and transfer office

Bank of Bermuda (Cayman) Limited  
P.O. Box 513 G.T.  
3rd Floor, 36C Bermuda House  
Dr. Roy's Drive, George Town  
Cayman Islands, British West Indies

#### Hong Kong Branch share registrar and transfer office

Tengis Limited  
G/F, Bank of East Asia Harbour View Centre,  
56 Gloucester Road, Wanchai,  
Hong Kong

### LEGAL ADVISORS

Robertsons (as to Hong Kong law)  
Conyers Dill & Pearman (as to Cayman Islands  
law)

### AUDITORS

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*  
31/F, Gloucester Tower,  
The Landmark,  
11 Pedder Street, Central  
Hong Kong

### PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited

**UNAUDITED INTERIM RESULTS**

The Board of Directors of Grandtop International Holdings Limited (the "Company") hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2006.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30th September 2006*

		<b>Unaudited Six months ended 30th September</b>	
	<i>Notes</i>	<b>2006 HK\$'000</b>	2005 HK\$'000
<b>Turnover</b>	3	<b>22,760</b>	29,429
Cost of sales		<u><b>(20,784)</b></u>	<u>(23,224)</u>
<b>Gross profit</b>		<b>1,976</b>	6,205
Other revenue		<b>59</b>	248
Selling expenses		<b>(453)</b>	(3,749)
Administrative expenses		<b>(4,801)</b>	(5,591)
Impairment of available-for-sale financial assets		<u>—</u>	<u>(28,655)</u>
<b>Loss from operations</b>	4	<b>(3,219)</b>	(31,542)
Finance costs	5	<u><b>(58)</b></u>	<u>(116)</u>
<b>Loss before tax</b>		<b>(3,277)</b>	(31,658)
Tax	6	<u>—</u>	<u>(169)</u>
<b>Loss for the period</b>		<u><b>(3,277)</b></u>	<u>(31,827)</u>
<b>Attributable to:</b>			
Equity holders of the Company		<b>(3,277)</b>	(31,537)
Minority interests		<u>—</u>	<u>(290)</u>
		<u><b>(3,277)</b></u>	<u>(31,827)</u>
<b>Interim dividend</b>	7	<u>—</u>	<u>—</u>
<b>Loss per share</b>			
Basic, HK cents	8	<u><b>(1.0)</b></u>	<u>(9.9)</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th September 2006

		As at 30th September 2006 HK\$'000 (Unaudited)	As at 31st March 2006 HK\$'000 (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	9	7,135	12,103
Leasehold land and land use rights	9	1,150	5,757
Available-for-sale financial assets		1,320	2,695
		<u>9,605</u>	<u>20,555</u>
<b>Current assets</b>			
Inventories		7,801	8,951
Trade receivables	10	5,997	5,392
Prepayments, deposits and other receivables		3,292	4,038
Cash and bank balances		1,943	2,488
		<u>19,033</u>	<u>20,869</u>
<b>Total assets</b>		<u>28,638</u>	<u>41,424</u>
<b>Equity</b>			
Capital and reserves attributable to the Equity holders of the Company			
Share capital		3,200	3,200
Reserves		(3,226)	51
		<u>(26)</u>	<u>3,251</u>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings, secured		—	5,689
Deferred taxation		167	167
		<u>167</u>	<u>5,856</u>
<b>Current liabilities</b>			
Trade and accruals	11	3,158	3,345
Interest-bearing bank borrowings, secured		—	261
Other payables		4,889	8,261
Tax payable		20,450	20,450
		<u>28,497</u>	<u>32,317</u>
<b>Total equity and liabilities</b>		<u>28,638</u>	<u>41,424</u>
<b>Net current liabilities</b>		<u>9,464</u>	<u>11,448</u>
<b>Total assets less current liabilities</b>		<u>141</u>	<u>9,107</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30th September 2006

	Unaudited					
	Attributable to shareholders					
	To the Company					
	Share Capital	Contributed Surplus	Share premium account	Retained profits	Minority Interest	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1st April 2005, as previously reported, as equity	3,200	(85)	25,146	54,601	—	82,862
Balance at 1st April 2005, as previous separately reported as minority interest	—	—	—	—	2,262	2,262
Loss for the period	—	—	—	(31,827)	—	(31,827)
Share of net loss by Minority interest	—	—	—	290	(290)	—
<b>Balance at 30th September 2005</b>	<b>3,200</b>	<b>(85)</b>	<b>25,146</b>	<b>23,064</b>	<b>1,972</b>	<b>53,297</b>
Balance at 1st April 2006	3,200	(85)	25,146	(25,010)	—	3,251
Loss for the period	—	—	—	(3,277)	—	(3,277)
<b>Balance at 30th September 2006</b>	<b>3,200</b>	<b>(85)</b>	<b>25,146</b>	<b>(28,287)</b>	<b>—</b>	<b>(26)</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th September 2006*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash outflow from operating activities	<b>(2,268)</b>	(730)
Net cash inflow from investing activities	<b>7,673</b>	2,776
Net cash (outflow)/inflow from financing activities	<b>(5,950)</b>	2,019
(Decrease)/increase in cash and cash equivalents	<b>(545)</b>	4,065
Cash and cash equivalents at beginning of the period	<b>2,488</b>	4,246
Cash and cash equivalents at end of the period	<b>1,943</b>	8,311
<b>Analysis of the balances of cash and cash equivalents</b>		
— Cash and bank balances	<b>1,943</b>	8,311

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the six months ended 30th September 2006***1. Basis of preparation and accounting policies**

The condensed consolidated financial statements 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 and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**2. Significant Accounting Policies**

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2006 except in relation to the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new/revised HKFRSs”), which have become effective for accounting periods beginning on or after 1st January 2006, that are adopted for the first time for the current period’s financial statements:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a lease

The adoption of the above new/revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in Group’s condensed consolidated interim financial statements.

The following new/revised HKFRSs relevant to the Group’s operations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

### 3. Segment information

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of (i) apparel sourcing (ii) apparel trading and (iii) sales support services.

An analysis of the Group's turnover and operating results by segments during the period is shown as follows:

#### (i) Primary segment

	Unaudited							
	Continuing operations							
	Apparel sourcing		Apparel trading		Sales support services		Consolidated	
	Six months ended 30th September		Six months ended 30th September		Six months ended 30th September		Six months ended 30th September	
2006	2005	2006	2005	2006	2005	2006	2005	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue	<u>—</u>	<u>3,298</u>	<u>22,760</u>	<u>26,131</u>	<u>—</u>	<u>—</u>	<u>22,760</u>	<u>29,429</u>
Segment results	<u>—</u>	<u>(3,307)</u>	<u>(3,219)</u>	<u>1,029</u>	<u>—</u>	<u>(609)</u>	<u>(3,219)</u>	<u>(2,887)</u>
Impairment of available-for-sales financial assets								(28,655)
Finance costs							(58)	(116)
Taxation							<u>—</u>	<u>(169)</u>
Profit after taxation							<u>(3,277)</u>	<u>(31,827)</u>
<b>Attributable to:</b>								
Equity holders of the Company							<u>(3,277)</u>	<u>(31,537)</u>
Minority interests							<u>—</u>	<u>(290)</u>
							<u>(3,277)</u>	<u>(31,827)</u>



## 3. Segment information (Continued)

## (ii) Secondary segment

	Unaudited			
	Turnover		Operating results	
	Six months ended 30th September		Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	4,012	11,202	(1,134)	501
PRC	—	5,908	—	108
Macau	18,748	9,020	(2,085)	1,029
Russia	—	581	—	(1,106)
South Korea	—	1,098	—	(1,129)
Panama	—	510	—	(728)
United States	—	1,110	—	(1,562)
	<b>22,760</b>	<b>29,429</b>	<b>(3,219)</b>	<b>(2,887)</b>

There are no material sales between the geographical segments.

No analysis of capital expenditure by geographical location is presented as majority of the Group's capital assets acquired during the period are located in Hong Kong and Macau.

## 4. Loss from operations

The Group's loss from operations is arrived at after charging/(crediting):

	Unaudited	
	Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000
Cost of inventories sold	20,784	23,224
Depreciation of owned fixed assets	678	724
Operating leases in respect of land and buildings	669	468
Interest income	(11)	(201)
Dividend income from investment securities	(31)	(31)

## 5. Finance costs

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interest expenses on:		
Mortgage loan not wholly repayable within five years	58	112
Bank charges	—	4
	<u>58</u>	<u>116</u>

## 6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Current taxation:		
— Hong Kong profit tax	—	59
— Overseas taxation	—	110
	<u>—</u>	<u>169</u>

## 7. Interim dividend

The directors do not recommend the payment of interim dividend for the six months ended 30th September 2006 (2005: Nil).

## 8. Loss per share

The calculation of basic loss per share is based on the Group's net loss attributable to shareholders for the period ended 30th September 2006 of HK\$3,277,000 (2005: 31,537,000) and the weighted average of 320,000,000 (2005: 320,000,000) ordinary shares in issue during the period.

There were no potential dilutive shares in existence for the two periods ended 30th September 2006 and 2005, accordingly, no diluted earnings per share has been presented.

## 9. Capital expenditure

	<b>Property, plant and equipment</b>	<b>Leasehold land and land use rights</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Six months ended 30 September 2006			
Opening net book amount as at 1 April 2006	12,103	5,757	17,860
Additions	1,878	—	1,878
Disposals	(6,192)	(4,583)	(10,775)
Depreciation and amortisation	(654)	(24)	(678)
	<u>7,135</u>	<u>1,150</u>	<u>8,285</u>
Six months ended 30 September 2005			
Opening net book amount as at 1 April 2005	16,556	6,164	22,720
Additions	165	—	165
Disposals	(732)	—	(732)
Depreciation and amortisation	(503)	(221)	(724)
	<u>15,486</u>	<u>5,943</u>	<u>21,429</u>

**10. Trade receivables**

General credit terms granted by the Group to its customers ranged from 0 — 60 days (2005: 0 — 60 days). The following is an aged analysis of the trade receivables at the balance sheet date.

	<b>As at 30th September 2006 (Unaudited) HK\$'000</b>	As at 31st March 2006 (Audited) HK\$'000
Within 30 days	<b>1,346</b>	3,586
Between 31 — 60 days	<b>3,783</b>	1,806
Between 61 days to 1 year	<b>5,553</b>	4,685
	<b>10,682</b>	10,077
Less: Impairment loss on trade receivables	<b>(4,685)</b>	(4,685)
	<b>5,997</b>	5,392

**11. Trade and accruals**

An aged analysis of the trade and accruals as at the balance sheet date is as follows:

	<b>As at 30th September 2006 (Unaudited) HK\$'000</b>	As at 31st March 2006 (Audited) HK\$'000
<b>Trade creditors</b>		
Within 90 days	<b>1,657</b>	1,628
Within 91 days to 180 days	<b>207</b>	727
	<b>1,864</b>	2,355
Accrued expenses due within 30 days or on demand	<b>1,294</b>	990
	<b>3,158</b>	3,345

## 12. Share capital

	<b>As at 30th September 2006 (Unaudited) HK\$'000</b>	As at 31st March 2006 (Audited) HK\$'000
<i>Authorised:</i>		
1,000,000,000 shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>
<i>Issued and fully paid:</i>		
320,000,000 shares of HK\$0.01 each	<u>3,200</u>	<u>3,200</u>

## 13. Commitments and contingent liabilities

*Operating lease commitments*

As at 30th September 2006, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	<b>As at 30th September 2006 (Unaudited) HK\$'000</b>	As at 31st March 2006 (Audited) HK\$'000
Amounts payable:		
— within one year	618	842
— within two to five years	<u>981</u>	<u>1,096</u>
	<u>1,599</u>	<u>1,938</u>

**13. Commitments and contingent liabilities** *(Continued)****Contingent liabilities***

A writ has been filed against the Company in respect of a claim for reimbursement of expenses paid on behalf of the Company and its subsidiary amounting to approximately HK\$3 million on 26 July 2006. The Company is not aware of such alleged payments and has instructed lawyers to deal with the matter. Up to the date of this report, the Company is reviewing information supplied by the Plaintiff in respect of the allegation. The Board of Directors is in the opinion the claim is not justifiable and without merit. Hence, no provision has been made in the interim financial statements.

**14. Material Related Party Transactions**

- (a) A former director of the Company has advanced funds to the Group amounting to approximately HK\$1,367,000 for the six months period ended 30 September 2006. (six months ended 30 September 2005: HK\$2,019,000); and
- (b) The Group has remunerated to key management compensation amounting approximately HK\$166,000 for the six months period ended 30 September 2006 (six months period ended 30 September 2005: HK\$63,000).

**15. Pledge of Assets**

As at September 2006, none of the Group's assets has been pledged (31st March 2006: Nil)

**16. Approval of Interim Report**

The Interim Report was approved by the Board of Directors on 27 December 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30th September 2006, the Group's unaudited loss attributable to shareholders amounted to approximately HK\$3 million, while it recorded a loss attributable to shareholders of approximately HK\$32 million for the corresponding period in 2005. The significant decrease in losses was mainly due to (i) prior years' effect of changes in the accounting policies in respect of the Group's investment securities; (ii) disposal of loss-operating subsidiary; (iii) implementation on cost control.

In prior period, the Group adopted a number Hong Kong Accounting Standards which had been effective for accounting periods commencing on 1st January 2005. In accordance with the adopted Hong Kong Accounting Standards, the Group's investment securities had to be revalued to its fair value. As a result, difference of approximately HK\$29 million between the cost and the fair value were required to recognised in the income statement in prior period which led to the significant loss incurred for the six months ended 30th September 2005. For the period under review, such significant change will not be envisaged.

Apart from the effect of significant loss incurred for the changes in accounting standards, the Group has disposed a loss making subsidiary which previously had incurred a loss of approximately HK\$3 million from its apparel sourcing operation. In addition, the Group has implemented cost control on corporate and operating levels. This would help to strengthen the Group's cashflow positions in near term.

The loss per share for the six months ended 30th September 2006 amounted to approximately 1 HK cent, while it recorded a loss per share of 9.9 HK cents for the last corresponding period in 2005, representing a decrease of approximately 90% compared with the same period in last year.

### Business Review

The Group is principally engaged in (i) apparel sourcing, (ii) apparel trading and (iii) sales support services.

***Apparel sourcing***

For the six months ended 30th September 2006, no turnover derived from apparel sourcing services while it was approximately HK\$3 million in last corresponding period in 2005. It was because the Group has disposed such loss operating activity. The main reason for such disposal was due to fierce competition in marketing and PRC entry to World Trade Organisation. However, the Group is keen to establish its own apparel sourcing business if the opportunity exists.

***Apparel trading***

During the period under review, an unaudited segment turnover for the six months ended 30th September 2006 amounted to approximately HK\$23 million and recorded a loss of approximately HK\$3 million while it posted both turnover and profit of approximately HK\$26 million and HK\$1 million respectively in last correspondent period in 2005. The Group experienced lower than expected customers turnout rate and high rental costs which led to a loss in the period under review.

***Sales support services***

During the period under review, no turnover derived from the provision of sales support services (2005: Nil). For the purpose of cost effectiveness, the Group scaled down the operation of sales support services to minimum level.

**PROSPECT**

Looking forward, the Group is in the progress of looking for profitable business that would bring in stable return to the Company and its shareholders. In addition, the Company will follow its new control of cost measure to maintain cost at acceptable level for our existing businesses. We will continue to explore potential markets for our apparel operations if the opportunity exists.

Other than the aforementioned, the Group will continue to explore and identify investment and acquisition opportunities so as to enhance shareholders' value.



## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2006, the Group had total current assets of approximately HK\$19,033,000 (31st March 2005: HK\$20,869,000) and total current liabilities of approximately HK\$28,497,000 (31st March 2006: HK\$32,317,000). Included in current assets was cash and bank balances of approximately HK\$1,943,000 (31st March 2006: HK\$2,488,000), representing an approximately 22% decrease as compared with 31st March 2006.

Net cash used for operating activities was approximately HK\$2,268,000 for the six months ended 30 September 2006 (six months ended 30 September 2005: HK\$730,000). Net cash generated from investing activities was approximately HK\$7,673,000 for the six months ended 30 September 2006 (six months ended 30 September 2005: HK\$2,776,000). Net cash used for financing activities was approximately HK\$5,950,000 (six months ended 30 September 2005: net cash generated from this activities was HK\$2,019,000). With the stable financial position of the Group, the Board is therefore in the opinion that the Group has sufficient resources and working capital to meet its daily operations and future development.

The Group serviced its debts primarily through cash generated by operations, bank borrowings and fund advanced by certain director. The Group's had no bank borrowings as at 30th September 2006 (31st March 2006: HK\$5,950,000) The Group does not have any bank overdrafts and banking facilities obtained during the period under review.

The cash and bank balances and bank borrowings of the Group's were mainly denominated in Hong Kong dollars, such that the Group does not have significant exposure to foreign exchange fluctuation. No hedging for the foreign currency transaction has been carried out during the period under review.

As at 30th September 2006, accumulated losses attributable to shareholders amounted to approximately HK\$26,000, as compared to equity attributable to shareholders as at 31st March 2006 of HK\$3,251,000. Gearing ratio, calculated as the bank borrowings divided by shareholders equity was not applicable as the Group had no bank borrowings as at 30 September 2006 (31st March 2006: 1.83 times).

The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 0.67 times as at 30th September 2006 (31st March 2006: 0.64 times). Inventory turnover days for the six months ended 30 September 2006 were 147 days (for the six months ended 30 September 2005: 186 days). The Board of Directors is in the opinion that both gearing ratio and current ratio were at an acceptable level.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2006 (2005: Nil).

## **EMPLOYEES**

As at 30th September 2006, the Group had 26 full time employees in Hong Kong and overseas. The Group remunerated its employees mainly based on industrial practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees with reference to the Group's performance as well as the individual performance. In addition, share options may also be granted from time to time in accordance with the term of the Company's approved Share Option Scheme. During the period under review, no share options had been granted under the Share Option Scheme.

## DISCLOSURE OF INTEREST

### Directors' interest and short position in shares, underlying shares and debentures of the Company

As at 30 September 2006, the interests and short positions of the Directors and chief executive 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 (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

#### *The Company*

<b>Name of Director</b>	<b>Number of Shares (ordinary share)</b>	<b>Note</b>	<b>Capacity</b>	<b>Percentage of Issued Share Capital</b>
Bessie Siu	96,000,000	(1)	Other interests	30%

Notes:

- (1) These shares were indirectly owned by a discretionary trust of which certain family members of Ms. Bessie Siu were eligible beneficiaries.

Save as disclosed, none of the directors nor their associates had any interests or 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) as at 30th September 2006, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Issuers in the Listing Rules.

## Share Option

On 22 October 2002, the Company adopted a share option scheme (the "Scheme"), under the terms of the Scheme, the Directors of the Company may, at their absolute discretion, invite full-time employees including executive directors of the Company representing up to a maximum 30% of the total issued share capital of the Company from time to time. As at 30 September 2006 and up to the date of this interim report, the Company did not grant any options under the Scheme.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of the companies comprising the Group had purchased, sold or redeemed any of the Company's shares.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading of "Directors' interest and short position in shares, underlying shares and debentures of the Company" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares, underlying shares or debentures in the Company or its associated corporations.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 30th September 2006, to the best knowledge of the directors, shareholders (other than Directors or Chief Executive of the Company) who had interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of directors	Capacity	Share of the Company of HK\$0.01 each		
		Number of issued ordinary shares held	Long/Short position in shares	Percentage of the Issued share capital of the Company
Nerine Trust Company Limited	Held by controlled corporation	96,000,000 (Note i)	Long position	30%
Huge Gain Development Limited	Beneficial owner	96,000,000 (Note i)	Long position	30%

Notes:

- (i) These shares are registered in the name of Huge Gain Development Limited ("Huge Gain"). The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited ("Nerine Trust"). Nerine Trust is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. All the units issued by SB Unit Trust were held by the family members of Mr. Siu Ban, co-founder of the Group.

Save as disclosed above, as at 30th September 2006, the Company has not been notified by any persons (other than Directors or Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## AUDIT COMMITTEE

The Audit Committee, which comprised of three INEDs with terms of reference in compliance with Code provision C3.3, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results.

## REMUNERATION COMMITTEE

The Remuneration Committee, which comprised of three INEDs, was formed on 16 December 2005 with terms of reference in compliance with Code provision B1.3 to oversee the remuneration policies of the Group during the six months ended 30 September 2006.

## CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2006 except for the deviations as detailed in the Company's last annual report as follows:

- (a) Code provision A1.3 stipulates that 14-days notice should be given for each board meeting. The Company agrees that sufficient time should be given to the Directors in order to make a proper decision. In these respects, the Company adopts a more flexible approach (and yet sufficient time has been given) in convening board meetings to ensure efficient and prompt management decisions could be made.
- (b) Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Company deviates from the above code provision as the independent non-executive Directors ("INEDs") are not appointed for specific terms. According to the bye-laws of the Company, however, the INEDs are subject to retirement and re-election. The reason for the deviation is that the Company believes that the Directors ought to be committed to representing the long term interest of the Company's shareholders.

- (c) Code provision A4.2 stipulates that every director should subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation provided that the Chairman, Deputy Chairman or managing Director shall be subject to retirement by rotation. The Company's bye-laws deviate from the code provision. The Company considered that the continuity of the Chairman/Deputy Chairman/managing Director and their leadership is essential for the stability of the business and key management. The rotation methodology ensures a reasonable proportion of Directors in continuity which is to the best interest of the Company's shareholders.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted a code of conducts for securities transactions with terms no less exacting than the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Following specific enquiry made with the directors of the Company, the Company has confirmed that each of its directors has complied with the required standard set out in the Model Code regarding securities transactions by directors.

### **REVIEW OF FINANCIAL INFORMATION**

The Audit Committee has reviewed with the management in the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including review of the unaudited financial information and interim report for the six months ended 30th September 2006.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30th September 2006.

On Behalf of the Board

**Lee Yiu Tung**

*Executive Director*

Hong Kong, 27 December 2006