



大凌集團有限公司
Styland Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock code:211)

30th Anniversary

Interim Report

2007/2008

FINANCIAL HIGHLIGHTS

- Turnover of the Group for the six months ended 30 September 2007 was approximately HK\$122,032,000 as compared to approximately HK\$38,883,000 in the corresponding period in 2006, a 214% increase.
- Profit attributable to equity holders of the Company for the six months ended 30 September 2007 was approximately HK\$29,556,000 as compared to loss of approximately HK\$7,081,000 in the corresponding period in 2006.
- Earnings per share of the Company was HK1.58 cent for the six months ended 30 September 2007 as compared to loss per share of HK0.38 cent in the corresponding period in 2006.
- The Board is unable to form a proper dividend policy in the meantime due to the uncertainty of the view of the Stock Exchange in relation to the resumption of trading of the shares of the Company.

The Board of Directors (the "Board") of Styland Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2007 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	122,032	38,883
Cost of sales		<u>(90,694)</u>	<u>(32,112)</u>
Gross profit		31,338	6,771
Other revenue		1,336	1,429
Administrative expenses		(12,883)	(12,305)
Selling and distribution costs		(711)	(602)
Reversal of provision for doubtful debts		1,010	654
Net unrealized holding gains/(losses) on investments held-for-trading		11,498	(846)
Other operating expenses		(1,155)	(407)
Finance costs		<u>(996)</u>	<u>(3,646)</u>
PROFIT/(LOSS) BEFORE TAXATION	3	29,437	(8,952)
Taxation	4	<u>(525)</u>	<u>-</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>28,912</u>	<u>(8,952)</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		29,556	(7,081)
Minority interests		<u>(644)</u>	<u>(1,871)</u>
		<u>28,912</u>	<u>(8,952)</u>
EARNINGS/(LOSS) PER SHARE	6		
Basic		<u>HK1.58 cent</u>	<u>(HK0.38 cent)</u>
Diluted		<u>HK1.57 cent</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30 September 2007 (Unaudited) HK\$ '000	At 31 March 2007 (Audited) HK\$ '000
NON-CURRENT ASSETS		
Property, plant and equipment	2,608	2,588
Investment property	15,000	15,000
Property held for redevelopment	49,000	49,000
Available-for-sale investments	227	227
	66,835	66,815
CURRENT ASSETS		
Inventories	238	32
Loans receivable	7 31,133	21,505
Accounts receivable	8 9,759	3,831
Other receivables, deposits and prepayments	33,593	21,145
Tax recoverable	214	564
Investment in a joint venture held-for-sale	9 157,298	157,298
Investments held-for-trading	21,112	10,509
Client trust bank accounts	34,973	9,237
Pledged deposit	5,000	5,000
Cash and bank balances	20,702	19,359
	314,022	248,480
CURRENT LIABILITIES		
Accounts payable, other payables and accruals	10 61,311	34,073
Taxation payable	214	39
Derivative	12(i) 989	-
Deposit received	9 75,000	-
Bank borrowings	11 14,641	80,445
	152,155	114,557
NET CURRENT ASSETS	161,867	133,923
TOTAL ASSETS LESS CURRENT LIABILITIES	228,702	200,738

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

		At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITY			
Bank borrowings	11	<u>14,780</u>	<u>15,728</u>
		<u>213,922</u>	<u>185,010</u>
CAPITAL AND RESERVES			
Share capital	12	<u>18,712</u>	18,712
Share premium and reserves		<u>152,997</u>	<u>123,441</u>
Equity attributable to equity holders of the Company		<u>171,709</u>	142,153
Minority interests		<u>42,213</u>	<u>42,857</u>
		<u>213,922</u>	<u>185,010</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Special capital reserve	Contributed surplus	Investment revaluation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	18,712	35,831	6,040	571,147	599,433	(58)	(1,088,952)	142,153	42,857	185,010
Profit for the period	-	-	-	-	-	-	29,556	29,556	(644)	28,912
At 30 September 2007	<u>18,712</u>	<u>35,831</u>	<u>6,040</u>	<u>571,147</u>	<u>599,433</u>	<u>(58)</u>	<u>(1,059,396)</u>	<u>171,709</u>	<u>42,213</u>	<u>213,922</u>
At 1 April 2006	18,712	35,831	6,040	571,147	599,433	(1,615)	(1,094,960)	134,588	43,266	177,854
Change in fair value of available-for-sale investments	-	-	-	-	-	(236)	-	(236)	-	(236)
Loss for the period	-	-	-	-	-	-	(7,081)	(7,081)	(1,871)	(8,952)
At 30 September 2006	<u>18,712</u>	<u>35,831</u>	<u>6,040</u>	<u>571,147</u>	<u>599,433</u>	<u>(1,851)</u>	<u>(1,102,041)</u>	<u>127,271</u>	<u>41,395</u>	<u>168,666</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operations	(8,653)	16,022
Net cash generated from/(used in) investing activities	77,745	(247)
Net cash (used in)/generated from financing activities	(68,144)	155
	<u>948</u>	<u>15,930</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at 1 April	14,810	(3,489)
	<u>15,758</u>	<u>12,441</u>
Cash and cash equivalents at 30 September	<u>15,758</u>	<u>12,441</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	20,702	17,143
Bank overdrafts	(4,944)	(4,702)
	<u>15,758</u>	<u>12,441</u>

2. Segmental information (Continued)**(a) Business segments (Continued)**

	General import and export trading HK\$ '000	Securities dealing and broking HK\$ '000	Financing HK\$ '000	Trading of listed securities HK\$ '000	Property re- development and investment HK\$ '000	Strategic investments HK\$ '000	Corporate HK\$ '000	Others HK\$ '000	Eliminations HK\$ '000	Consolidated HK\$ '000
2006										
Segment revenue:										
External sales	7,500	5,095	1,964	24,324	-	-	-	-	-	38,883
Other revenue	80	973	781	-	-	-	-	-	-	1,834
Inter-segment sales	-	139	-	-	600	-	3,707	-	(4,446)	-
Total revenue	7,580	6,207	2,745	24,324	600	-	3,707	-	(4,446)	40,717
Segment results	(1,919)	1,159	2,491	(865)	(101)	(983)	(5,117)	(81)	(139)	(5,555)
Unallocated income										249
Finance costs										(3,646)
Loss before taxation										(8,952)
Taxation										-
Loss for the period										(8,952)

(b) Geographical segments

The following table presents revenue of the Group's geographical segments for the six months ended 30 September 2007 and 2006 respectively:

	2007 (Unaudited) HK\$ '000	2006 (Unaudited) HK\$ '000
Hong Kong	109,683	32,292
Europe	7,234	3,799
North America	4,088	2,792
Others	1,027	-
	122,032	38,883

3. Profit/(Loss) before taxation

Profit/(Loss) before taxation is arrived at after charging:

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Depreciation	275	256
Staff costs	<u>5,064</u>	<u>5,035</u>

4. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the current period.

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Provision of Hong Kong Profits Tax for current period	<u>525</u>	<u>-</u>

5. Dividends

During the period under review, the Group recorded a profit of HK\$29,556,000. However, as stated in the announcement of the Company dated 28 November 2007, the conditions for the proposed final dividend for the year ended 31 March 2007 have not fulfilled as of today and the timing of their fulfilments, including resumption of trading in shares of the Company, is beyond the control and management of the Company, the Board therefore, is unable to form a proper dividend policy due to the uncertainty of the resumption of trading of the shares of the Company as the Group may require to reserve funds to meet for the professional fees and legal costs as may require to incur. As such the Board do not recommend the payment of any interim dividend for the six months ended 30 September 2007 (2006: nil).

6. Earnings/(loss) per share

The calculation of the basis earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK\$29,556,000 for the six months ended 30 September 2007 (2006: loss of HK\$7,081,000) on 1,871,188,679 (2006: 1,871,188,679) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 September 2007 is based on the profit attributable to equity holders of the Company of HK\$29,556,000 and the weighted average of 1,880,570,100 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares assumed to have been issued for the outstanding share options during the period.

Diluted loss per share for the period ended 30 September 2006 has not been disclosed as the options outstanding during the period had an anti-dilutive effect on the basic loss per share for that period.

7. Loans receivable

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Securities dealing and broking business:		
– Secured margin loans	36,579	24,391
Less: Impairment	<u>(8,348)</u>	<u>(8,446)</u>
	<u>28,231</u>	<u>15,945</u>
Financing business:		
– Secured loans	–	3,598
– Unsecured loans	<u>21,155</u>	<u>20,341</u>
	21,155	23,939
Less: Impairment	<u>(18,253)</u>	<u>(18,379)</u>
	<u>2,902</u>	<u>5,560</u>
Total	<u><u>31,133</u></u>	<u><u>21,505</u></u>

An aged analysis of the Group's loans receivable excluding margin loans is as follows. No aged analysis on margin loans is disclosed as, in the opinion of the Directors, an aged analysis is not meaningful in view of the nature of the business of securities margin financing.

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Financing business:		
Within 6 months	3,020	1,104
Between 7 to 12 months	97	582
Over 1 year	<u>18,038</u>	<u>22,253</u>
	21,155	23,939
Less: Impairment	<u>(18,253)</u>	<u>(18,379)</u>
	<u><u>2,902</u></u>	<u><u>5,560</u></u>

8. Accounts receivable

	As at 30 September 2007 (Unaudited) <i>HK\$'000</i>	As at 31 March 2007 (Audited) <i>HK\$'000</i>
Balance in relation to:		
Securities dealing and broking business	5,878	3,149
General trading	3,881	682
	<u>9,759</u>	<u>3,831</u>
An aged analysis of the Group's accounts receivable is as follows:		
Within 6 months	8,456	3,364
Between 7 to 12 months	1,000	129
Over 1 year	1,084	986
	<u>10,540</u>	<u>4,479</u>
Less: Impairment	(781)	(648)
	<u>9,759</u>	<u>3,831</u>

9. Investment in a joint venture held-for-sale

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Unlisted investment, at cost	551,837	551,837
Less: Accumulated amortization Impairment	(268,331) (131,672)	(268,331) (131,672)
	<u>151,834</u>	<u>151,834</u>
Effect of foreign exchange	5,464	5,464
	<u>157,298</u>	<u>157,298</u>
Amount due to the joint venture	(18,397)	(18,397)
	<u><u>138,901</u></u>	<u><u>138,901</u></u>
Classified as:		
Current assets:		
Investment in the joint venture held-for-sale	157,298	157,298
Current liabilities:		
Amount due to the joint venture, included in other payables	(18,397)	(18,397)
	<u><u>138,901</u></u>	<u><u>138,901</u></u>

As disclosed in the Company's announcement dated 27 February 2004, the joint venture (the "JV") partner (the "JV Partner") in the toll road in Wuhan, China (the "Toll Road") had unilaterally decided to relocate the toll station of the Toll Road, which results in significant drop in traffic flows of the Toll Road. Since then, the Group has kept liaising with the JV Partner for compensation for the losses. As both parties didn't come to an agreed consideration for the compensation, the Group had applied for arbitration through the Wuhan Arbitration Commission (the "WAC") in China in October 2004. In April 2006, according to the arbitration report of the WAC ((2005)武仲裁字第1041號), the Group could transfer its interests in the JV at the consideration of RMB157,298,300 and could recover the arbitration fee of RMB1,000,968 from the JV Partner. During the period under review, RMB75,000,000 was received from the JV Partner and was used to fully settle the project loan of the Toll Road.

10. Accounts payable, other payables and accruals

	As at 30 September 2007 (Unaudited) <i>HK\$'000</i>	As at 31 March 2007 (Audited) <i>HK\$'000</i>
Balance in relation to:		
Securities dealing and broking business	34,520	10,745
General trading and others	26,791	23,328
	<u>61,311</u>	<u>34,073</u>
 An aged analysis of the accounts payable is as follows:		
Within 6 months	33,153	8,781
Between 7 to 12 months	1,462	665
Over 1 year	1,802	2,020
 Accounts payable	36,417	11,466
Other payables and accruals	24,894	22,607
	<u>61,311</u>	<u>34,073</u>

11. Bank borrowings

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Bank loans, secured	24,476	91,624
Bank overdrafts, secured	4,945	4,549
	<u>29,421</u>	<u>96,173</u>
Portion classified as current liabilities	<u>(14,641)</u>	<u>(80,445)</u>
Long term portion	<u><u>14,780</u></u>	<u><u>15,728</u></u>
Bank loans and overdrafts are repayable:		
Within one year	14,641	80,445
In the second year	1,896	1,896
In the third to fifth years, inclusive	5,688	5,688
Beyond five years	7,196	8,144
	<u><u>29,421</u></u>	<u><u>96,173</u></u>

The Group's bank loans and overdrafts are secured by:

- (i) margin clients' listed securities under the securities dealing and broking business;
- (ii) marketable securities of secured loan borrowings under the financing business;
- (iii) the Group's investment property and property held for redevelopment situated in Hong Kong; and
- (iv) the Group's time deposit.

12. Share capital

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
<i>Authorised:</i>		
200,000,000,000 ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>2,000,000</u>
<i>Issued and fully paid:</i>		
1,871,188,679 ordinary shares of HK\$0.01 each	<u>18,712</u>	<u>18,712</u>

- (i) On 7 June 2007, the Company entered into an option agreement to grant the subscriber an option to subscribe for a maximum of 370,000,000 shares of the Company at the excise price of HK\$0.024 per share. A sum of HK\$1,000,000 had been paid to the Company upon signing of the option agreement as deposit. The exercise period of the share options is 18 months commencing from the date of fulfillment of conditions precedent set out in the option agreement, which had not been fulfilled at 30 September 2007. For more details, please refer to the announcement of the Company dated 21 June 2007.
- (ii) On 9 July 2007, the Company entered into eight subscription agreements in respect of the issue of the convertible bonds in the aggregate principal amount of HK\$9,880,000 due 2012. The convertible bonds shall not carry any interest. Each of the subscribers will have the right to convert the convertible bonds into shares of the Company at the price of HK\$0.026 per share. Any outstanding convertible bonds shall be redeemed on the date falling on the fifth anniversary of the date of issue of the convertible bonds. Completion of the subscription agreements is subject to the conditions as set out in the subscription agreements, which had not been fulfilled at 30 September 2007. For more details, please refer to the announcement of the Company dated 16 August 2007.

13. Contingent liabilities

As at 30 September 2007, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK\$24,476,000 million (31 March 2007: HK\$17,624,000) had been utilized at 30 September 2007.

14. Litigation

Reference is made to note 37(2) to the financial statements of the Company for the year ended 31 March 2007. The lawsuit is related to Sheng Da Investment Holding (Hong Kong) Limited, a non-wholly owned subsidiary of the Company, and is still going on. The Board is of the opinion that the Group is not liable for any debt arising from the lawsuit and the claim from Hainan Wanzhong Shiye Touzi Co., Ltd. (海南萬眾實業投資有限公司) has no ground. The Board considers that the lawsuit does not have material impact on the Group and no provision has been made at 30 September 2007.

15. Post balance sheet event

On 15 November 2007, the Company entered into eight several subscription agreements to issue 600,000,000 shares of the Company at the price of HK\$0.08 per share. At the date of the report, the conditions for the completion of the subscription agreements have not been fulfilled.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Company is pleased to report that both the turnover of the Group and profit attributable to the shareholders of the Company surged for the six months ended 30 September 2007 as compared to the corresponding period in 2006. The turnover for the current period was HK\$122.0 million (2006: HK\$38.9 million) while the profit attributable to equity holders of the Company soared to HK\$29.6 million for the current period (2006: loss of HK\$7.1 million).

Review of operations

During the period under review, the daily turnover of Hong Kong stock market averaged HK\$80.9 billion, a 183% increase compared to the corresponding period in 2006. Both the Hang Seng Index and H-Share Index scaled one height after another and showed no signs of sagging. The initial public offers remain strong and new issues were still so much sought after. The Group achieved favourable performance for its brokerage and financing business during the current period with the total turnover of these two segments increased by 74%. To ensure the smooth and accurate settlement for the increasing trading volume, the Group strives for maintaining effective internal control system. During the six months ended 30 September 2007, the Group has over 26,000 share service transactions for its clients, with the fund flows involving in excess of HK\$3.4 billion. All transactions were carried out smoothly and no complaint was received. The Board deeply appreciates Mr. Cheung Chi Shing Kenneth, the founder and the consultant of the Group, for his contribution to the significant increase in the turnover and the effective internal control system of the Group.

Following the consolidation of trading business over past years, the Group is well equipped for expansion. During the period under review, the Group strengthened its sales and promotion ability for its trading business. Through the subscription to a customer referral service platform, it enabled the Group to approach customers worldwide. Other than that, the Group participated in the exhibition of Hong Kong Fashion Week for Spring/Summer 2008 in July 2007, in fact, the Group has established business relation with certain customers solicited from the exhibition.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of operations *(Continued)*

With the business growth, the Group also attach weights to credit control. The sales teams always strictly follow the Group's credit policies and regularly review customers' settlement records or their financial positions. When the doubt arises for recoverability of receivables, the debt collection division will take immediate action, according to the internal guidelines, to recover the doubtful debts. Provision for doubtful debt will be made or even written off when necessary.

During the period under review, the Group has received the deposit of RMB75 million from the JV Partner for the disposal of the Group's interest in the Toll Road. The receipt of the deposit has strengthened the Group's financial position and cash level and has significantly released the burden of interest expenses of the Group.

Once again, the Board would like to take this opportunity to thank Mr. Cheung Chi Shing Kenneth and the Directors of the Company, including Ms. Yeung Han Yi Yvonne, Ms. Chan Chi Mei Miranda and Mr. Cheung Hoo Win, for their commitments to the development and contribution to the outstanding performance of the Group. The Board of the Company is of the view that the continuing appointment of Mr. Cheung Chi Shing Kenneth as a consultant of the Company will be conducive to the long term development of the Group.

Investments

The Group made no material investment during the six months ended 30 September 2007.

Credit policies

Trading terms with general trading customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 to 60 days of issuance, except for certain well-established customers, where the terms are extended to 90 days.

For the securities dealings & broking and financing businesses, the financial assistance will be granted based on assessment to financial status, repayment records and the liquidity of collaterals placed by a customer and the interest rate will be determined thereon. Financial assistances will be repayable on demand once a customer fails to repay any deposit, margin or other sum payable to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***Foreign exchange exposure**

During the period under review, the Group's business activities and its assets and liabilities were mainly denominated in Hong Kong dollars and Renminbi. The Group does not hedge exchange rate fluctuation between Renminbi and Hong Kong dollars as the borrowing in Renminbi is matched by assets denominated in Renminbi and the risk is considered minimal. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group.

Operational risk

The Group has put in place the effective internal control system for its operations. Under the business of securities dealing and broking, a monitoring team consisting of Securities and Future Commission ("SFC") licensed responsible officers and senior management, who have been acting in compliance with Securities and Futures Ordinance ("SFO"), has been set up to monitor the settlement matters of traded securities and cashes. In order to safeguard client's interests and comply with the requirements of SFC and SFO, our monitoring team carries out ongoing checks and verification so that our service standard has been maintaining at a satisfactory level.

Liquidity and financial resources

At 30 September 2007, the Group had cash at bank and in hand of approximately HK\$20.7 million (31 March 2007: HK\$19.4 million) and net assets value of approximately HK\$213.9 million (31 March 2007: HK\$185.0 million).

Bank borrowings at 30 September 2007 amounted to approximately HK\$29.4 million (31 March 2007: HK\$96.2 million), of which approximately HK\$14.6 million (31 March 2007: HK\$80.4 million) were repayable within one year. Included in the bank borrowings were mortgage loans of HK\$16.7 million for properties with an aggregate valuation of HK\$64.0 million.

The gearing ratio, being the ratio of total bank borrowings approximately HK\$29.4 million to shareholders' fund of approximately HK\$171.7 million, was about 0.17 (31 March 2007: 0.68).

As at 30 September 2007, a time deposit of HK\$5.0 million, a property held for redevelopment of HK\$49.0 million and an investment property of HK\$15.0 million were pledged to banks for their banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects

Subsequent to 30 September 2007, the Hang Seng Index continues the upward trend and the market capitalization reached the record high. The daily market turnover also increased significantly. Hong Kong is known as one of the largest fund raising centers in the world for the listing of giant mainland enterprises in the territory.

Though the likely slowdown of the economy of the United States will cast uncertainty over the territory's economic development, Hong Kong can still take advantage of the rapid growth of economic development in the mainland. In addition, under the linked exchange rate system between the United States and Hong Kong and strong funds flow in the local market, Hong Kong is in the interest rate cutting cycle, and has gone into the era of the negative real interest rates. To preserve the purchase power, Hong Kong citizens will therefore made investments in the markets of stock and property, which will certainly help to the boost of brokerage business and lead to the appreciation of properties of the Group.

In light of the level of the bank balances and the time deposit at the period end, the Group has sufficient working capital for its existing operation, and the financial position will be further enhanced as a result of the upcoming recovery of the balance of the sales proceeds, about RMB82 million, from the JV Partner for the disposal of the Group's interest in the Toll Road. To sustain the business development and to maximize the return of shareholders of the Company, the Group will on one hand allocate more resources to its brokerage and financing business, and on the other hand seek other investments with high growth potential. To meet the capital requirements for the planned investments, the Company granted options to allow the option holders to subscribe for shares of the Company in June 2007 and entered into subscription agreements with subscribers to issue convertible bonds in July 2007. Subsequent to 30 September 2007, the Company further entered into subscription agreements with other subscribers for the subscription of 600,000,000 shares of the Company at a price of HK\$0.08 per share. The Group believes that it has strong cash flow for the future development.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**Staff**

As at 30 September 2007, the Group had 48 employees. Remuneration packages are generally structured with reference to prevailing market practice and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefit plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2007, the interests and short positions of the Directors of the Company (the "Directors") in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (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 to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Interests in ordinary shares of HK\$0.01 each in the Company:

Name of Directors	Number and nature of interest			Shareholding percentage
	Family interests	Personal interests	Total	
Ms. Yeung Han Yi Yvonne ("Ms. Yeung")	369,995,967 (Note)	30,000,000	399,995,967	21.38%
Ms. Chan Chi Mei Miranda	-	39,288	39,288	0.00%

Note:

Mr. Cheung Chi Shing Kenneth ("Mr. Cheung") personally held 299,995,967 shares of the Company. As Mr. Cheung is the sole shareholder of K.Y. Limited ("KY"), he was deemed to have interests in 60,000,000 shares of the Company held by KY and Mr. Cheung is further deemed to be interested in 10,000,000 shares of the Company held by K.C. (Investment) Limited, a wholly owned subsidiary of KY.

Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares of the Company that Mr. Cheung is beneficially interested.

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

All the interests stated above represented long positions. As at 30 September 2007, no short positions were recorded in the Register of Directors' and Chief Executive's Interests and Short Positions required to be kept under Section 352 of the SFO.

Save as disclosed above, as at 30 September 2007, none of the directors of the Company had any interest or short position whether beneficial or non-beneficial, in the shares or underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

The Register of Substantial Shareholders maintained under Section 336 of the SFO shows that, as at 30 September 2007, the Company had been notified of the following interests in the Company:

	Number of shares	Percentage
Mr. Cheung <i>(Note 1)</i>	399,995,967	21.38%
Ms. Yeung <i>(Note 2)</i>	399,995,967	21.38%
Mr. Rajkumar M Daswani <i>(Note 3)</i>	112,411,667	6.01%

Notes:

1. Please refer to the note under the heading "Directors' Interest in Securities" for details of Mr. Cheung's beneficial interests in the shares of the Company. Mr. Cheung is the spouse of Ms. Yeung and accordingly deemed to be interested in the 30,000,000 shares of the Company beneficially interested by Ms. Yeung.
2. Ms. Yeung is the spouse of Mr. Cheung and accordingly deemed to be interested in the 369,995,967 shares beneficially interested by Mr. Cheung.
3. The interests of Mr. Rajkumar M Daswani are set out based on his notification given to the Company on 1 April 2004 pursuant to the SFO. On 7 December 2004, the Company wrote to Mr. Rajkumar M Daswani for his shareholding in the Company and received a letter dated 13 December 2004 from Mr. Rajkumar M Daswani that he and Shalini R Daswani in the joint account held 114,731,667 Shares of the Company as at 30 September 2004. The Company didn't receive valid notification pursuant to the SFO from Shalini R Daswani.
4. On 20 August 2002, Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生) notified the Company that they respectively held shares of 165,050,000 and 150,800,000 in the Company. To ensure the accuracy of its Register, the Company wrote to Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生) to inquire their then shareholdings in the Company on 14 June 2004. On 13 December 2004, the Company received a letter from Mr. Lin Wen (林文先生), claiming that he held approximately 5 million shares of the Company, which was substantially different from the record of Mr. Lin Wen's (林文先生) interests available from the web site of the Stock Exchange and the Company. The Company has repeatedly tried to seek valid notification under the SFO from Mr. Lin Wen (林文先生) and Mr. Sun Jin Lin (孫進林先生). However, up to the date of this report, the Company has not received any further response from Mr. Lin Wen (林文先生) or Mr. Sun Jin Lin (孫進林先生).

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of attracting and retaining quality personnel and other persons and providing them with incentive to contribute to the business and operation of the Group. Under the Scheme which was approved and adopted in a special general meeting of the Company held on 23 August 2002, the directors may, within a period of 10 years, grant options to any director, employee or consultant of the Group to subscribe for shares in the Company.

The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors.

The exercise price of the share options is determined by directors, but may not be less than the higher of (i) the Stock Exchange closing price of the shares on the date of grant of the share options; and (ii) the average Stock Exchange closing price of the shares for the five trading days immediately preceding the date of the grant.

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

As at 30 September 2007, the Company had no share options outstanding under the Scheme.

SHARE OPTIONS GRANTED

Other than the Scheme, the Company, on 7 June 2007, granted options of 370,000,000 to an independent party at the exercise price of the HK\$0.024 per share. The exercisable period is 18 months commencing from the date of fulfillment of conditions precedent set out in the option agreement, which had not been fulfilled at 30 September 2007.

The fair value of the options granted was determined using the binomial model and the significant inputs into the calculation were as follows:

Closing share price at the date of grant	HK\$0.022
Exercise price per share	HK\$0.024
Annual risk free rate	4.2%
Expected volatility	56%
Life of the option	18 months
Expected dividend yield	2%

As the Company is suspended in the listing status, the volatility measured at the standard deviation of expected share price return is based on the statistical analysis of daily share closing prices of the listed companies with similar business over the one and half years immediately preceding the grant date.

During the period under review, HK\$989,000 has been included in the consolidated income statement.

RELATED PARTY TRANSACTIONS

(a) Compensation to key management personnel of the Group

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	1,043	1,424
Post-employment benefits	38	42
	<u>1,081</u>	<u>1,466</u>

(b)

	Six months ended 30 September	
	2007	2006
	(Unaudited)	(UnAudited)
	HK\$'000	HK\$'000
Consultancy fee paid to Mr. Cheung Chi Shing Kenneth	<u>464</u>	<u>468</u>

Mr. Cheung Chi Shing, Kenneth is a substantial shareholder of the Company, spouse of the Company's director, Ms. Yeung Han Yi Yvonne, and father of the Company's director, Mr. Cheung Hoo Win.

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

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

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2007 with the following major deviations:

Code provision A.2.1

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer" ("CEO"). As there exists a clear division of each Director's duties in the Group, no designation of CEO does not have any impact on operations of the Group. The Chairman of the Company is responsible for the overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board.

Code provision E.1.2

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. Chairman of the Company didn't attend the annual general meeting of 2007 due to his personal reason.

CORPORATE GOVERNANCE *(Continued)***Model code for securities transactions by directors**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code for securities transactions by Directors. All members of the Board has confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code during the period.

Audit committee

The Company has an audit committee comprising three independent non-executive directors of the Company. The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 September 2007 and discussed the financial related matters with the management.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company consists of four executive directors, Ms. Yeung Han Yi Yvonne, Ms. Chan Chi Mei Miranda, Mr. Cheung Hoo Win, Ms. Zhang Yuyan and three independent non-executive directors, Mr. Lim Man San David, Mr. Yeung Shun Kee Edward and Mr. Chow Pat Kan.

On behalf of the Board

Cheung Hoo Win

Director

Hong Kong, 21 December 2007