



# NAM HING HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)



Interim Report 2005/06



## UNAUDITED INTERIM FINANCIAL STATEMENTS

The Board of Directors of Nam Hing Holdings Limited (the “Company”) (Stock code: 986) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2005 together with the comparative figures for the corresponding previous period. These interim results have not been audited or reviewed by the Company’s auditors, but have been reviewed by the Company’s Audit Committee (the “Audit Committee”).

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2005</b>	2004
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
TURNOVER	2	<b>140,102</b>	157,204
Cost of sales		<b>(123,571)</b>	(129,436)
Gross profit		<b>16,531</b>	27,768
Other revenue		<b>1,355</b>	554
Selling and distribution costs		<b>(2,788)</b>	(2,952)
Administrative expenses		<b>(13,702)</b>	(12,504)
Other operating expenses		<b>822</b>	(3,359)
PROFIT FROM OPERATING ACTIVITIES	3	<b>2,218</b>	9,507
Finance costs		<b>(1,804)</b>	(1,987)
PROFIT BEFORE TAX		<b>414</b>	7,520
Tax	4	<b>(301)</b>	(432)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>113</b>	7,088
INTERIM DIVIDEND	5	<b>–</b>	–
EARNINGS PER SHARE	6		
– Basic		<b>HK0.0281 cent</b>	HK1.7640 cents
– Diluted		<b>HK0.0281 cent</b>	–

## CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets		172,286	170,784
Prepaid land lease payments		13,784	13,938
Investment property		4,520	4,520
Trademark		2,210	2,172
		192,800	191,414
CURRENT ASSETS			
Trade debtors	7	46,770	45,541
Other debtors, prepayments and deposits		3,789	3,694
Inventories		51,499	40,063
Property held for resale		15,980	15,980
Other investments		2,943	3,064
Pledged fixed deposits		8,106	4,067
Cash and bank balances		8,885	5,466
		137,972	117,875
CURRENT LIABILITIES			
Trade creditors	8	49,505	42,665
Bills payable		1,256	2,353
Other creditors and accruals		14,132	11,521
Tax payable		678	513
Interest-bearing bank and other borrowings		56,600	46,383
Finance lease payables		1,646	1,286
		123,817	104,721
NET CURRENT ASSETS		14,155	13,154
TOTAL ASSETS LESS CURRENT LIABILITIES		206,955	204,568

	<b>30 September 2005</b>	31 March 2005
Notes	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Restated)
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>8,597</b>	6,314
Finance lease payables	<b>1,336</b>	1,248
	<hr/> <b>9,933</b>	<hr/> 7,562
	<hr/> <b>197,022</b>	<hr/> 197,006
<b>CAPITAL AND RESERVES</b>		
Issued share capital	<b>40,184</b>	40,184
Reserves	<b>156,838</b>	156,822
	<hr/> <b>197,022</b>	<hr/> 197,006

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (Unaudited)	Contributed surplus HK\$'000 (Unaudited)	Exchange equalisation reserve HK\$'000 (Unaudited)	Capital redemption reserve HK\$'000 (Unaudited)	Retained profits HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 April 2004	40,184	124,711	2,031	(24,862)	464	48,477	191,005
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	(3,597)	-	-	(3,597)
Net gains and losses not recognised in the profit and loss account	-	-	-	(3,597)	-	-	(3,597)
Net profit for the period	-	-	-	-	-	7,088	7,088
At 30 September 2004	<u>40,184</u>	<u>124,711</u>	<u>2,031</u>	<u>(28,459)</u>	<u>464</u>	<u>55,565</u>	<u>194,496</u>
At 1 April 2005	40,184	124,711	2,031	(23,879)	464	53,495	197,006
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	(97)	-	-	(97)
Net gains and losses not recognised in the profit and loss account	-	-	-	(97)	-	-	-
Net profit for the period	-	-	-	-	-	113	113
At 30 September 2005	<u>40,184</u>	<u>124,711</u>	<u>2,031</u>	<u>(23,976)</u>	<u>464</u>	<u>53,608</u>	<u>197,022</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	4,435	27,736
Net cash outflow from investing activities	(8,869)	(3,660)
Net cash inflow/(outflow) from financing activities	8,770	(16,570)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	4,336	7,506
Cash and cash equivalents as at 1 April	(7,320)	(7,812)
Foreign exchange adjustments	(1,399)	(1,726)
	<hr/>	<hr/>
Cash and cash equivalents as at 30 September	<b>(4,383)</b>	(2,032)
	<hr/>	<hr/>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,885	8,129
Bank overdrafts	(13,268)	(10,161)
	<hr/>	<hr/>
	<b>(4,383)</b>	(2,032)
	<hr/>	<hr/>

### NOTES

#### 1. Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised HKASs and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are effective for the accounting periods commencing on or after 1 January 2005 and applicable to the Group:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment

The adoption of the above HKASs and HKFRS has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements except for the change in the disclosure for the prepaid land lease payments in accordance with HKAS 17 "Leases". The impact is summarized as follows:

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while the buildings continue to be classified as part of the property, plant and equipment. The amortisation and depreciation charges for the period are recognized in the income statement immediately.

The change in accounting policy has had no material effect on the condensed consolidated profit and loss account and retained profits. The comparatives on the condensed consolidated balance sheet as at 31 March 2005 have been restated to reflect the reclassification of leasehold land.

## 2. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of telecommunications and computer-related products;
- (b) the manufacture and sale of printed circuit boards ("PCBs") segment is a supplier of PCBs mainly for use in audio and visual household products; and
- (c) the manufacture and sale of copper foils segment is a supplier of copper foil mainly for use in the manufacture of industrial laminates and PCBs.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



An analysis of the Group's revenues and results for the current period by business segment, together with the comparative amounts for the corresponding period of 2004, is as follows:

	Six months ended 30 September 2005				
	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue:					
Sale to external customers	94,390	45,145	567	-	140,102
Intersegment sales	18,086	-	28,945	(47,031)	-
Other revenue	1,548	66	952	(1,211)	1,355
Total	<u>114,024</u>	<u>45,211</u>	<u>30,464</u>	<u>(48,242)</u>	<u>141,457</u>
Segment results	<u>28,218</u>	<u>20,015</u>	<u>191</u>	<u>(45,630)</u>	<u>2,794</u>
Interest income					45
Unallocated expenses					<u>(621)</u>
Profit from operating activities					2,218
Finance costs					<u>(1,804)</u>
Profit before tax					414
Tax					<u>(301)</u>
Net profit from ordinary activities attributable to shareholders					<u>113</u>

## Six months ended 30 September 2004

	Manufacture and sale of laminates	Manufacture and sale of PCBs	Manufacture and sale of copper foils	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:					
Sale to external customers	100,279	55,926	999	-	157,204
Intersegment sales	23,274	-	21,996	(45,270)	-
Other revenue	1,524	207	39	(1,216)	554
Total	<u>125,077</u>	<u>56,133</u>	<u>23,034</u>	<u>(46,486)</u>	<u>157,758</u>
Segment results	<u>29,888</u>	<u>25,979</u>	<u>(236)</u>	<u>(46,033)</u>	9,598
Interest income					3
Unallocated expenses					(94)
Profit from operating activities					9,507
Finance costs					(1,987)
Profit before tax					7,520
Tax					(432)
Net profit from ordinary activities attributable to shareholders					<u>7,088</u>

An analysis of the Group's turnover and profit from operating activities for the current period by geographical segment, together with the comparative amounts for the corresponding period of 2004, is as follows:

	Turnover		Profit from operating activities	
	Six months ended 30 September		Six months ended 30 September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC")				
Hong Kong	<b>110,912</b>	127,787	<b>1,756</b>	7,728
Mainland China	<b>15,940</b>	15,142	<b>252</b>	916
Overseas	<b>13,250</b>	14,275	<b>210</b>	863
	<b>140,102</b>	157,204	<b>2,218</b>	9,507

### 3. Profit from operating activities

Profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs	<b>14,082</b>	13,437
Depreciation	<b>7,037</b>	11,650
Exchange gain	<b>(1,658)</b>	(1,213)

#### 4. Tax

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for the period		
PRC		
Hong Kong	171	258
Mainland China	130	174
Tax charge for the period	<u>301</u>	<u>432</u>

Hong Kong profits tax for the six months ended 30 September 2005 was provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the period, after setting off unutilized tax losses brought forward from prior years.

Taxes on profits assessable in the Mainland China have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No deferred tax has been provided by the Group as there were no significant temporary differences.

#### 5. Interim dividend

The Board of Directors did not propose to declare a payment of interim dividend for the six months ended 30 September 2005 (2004: Nil).

## 6. Earnings per share

### (a) *Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 September 2005 is based on the net profit from ordinary activities attributable to shareholders for the said period of HK\$113,000 (2004: HK\$7,088,000) and the weighted average of 401,838,800 (2004: 401,838,800) ordinary shares in issue during the period.

### (b) *Diluted earnings per share*

Diluted earnings per share for the six months ended 30 September 2005 is based on the net profit from ordinary activities attributable to shareholders of HK\$113,000. The weighted average number of ordinary shares used in the calculation is the 401,838,800 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 91,004 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

Diluted earnings per share for the six months ended 30 September 2004 has not been disclosed, as the share options outstanding during the period had no dilutive effect on the basic earnings per share.

## 7. Trade debtors

An ageing analysis of trade debtors at the balance sheet date is as follows:

	<b>30 September 2005 HK\$'000 (Unaudited)</b>	31 March 2005 HK\$'000 (Audited)
Within 3 months	<b>35,670</b>	36,404
4 to 6 months	<b>10,390</b>	7,437
Over 6 months	<b>710</b>	1,700
	<b><u>46,770</u></b>	<u>45,541</u>

The Group's credit terms given to its customers vary, and are generally around three months, and are granted based on the financial strengths of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management.

## 8. Trade creditors

An ageing analysis of trade creditors at the balance sheet date is as follows:

	<b>30 September 2005 HK\$'000 (Unaudited)</b>	31 March 2005 HK\$'000 (Audited)
Within 3 months	<b>36,125</b>	28,079
4 to 6 months	<b>10,604</b>	10,861
Over 6 months	<b>2,776</b>	3,725
	<b><u>49,505</u></b>	<u>42,665</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review & Prospects

The Group's unaudited consolidated turnover for the six months ended 30 September 2005 recorded a decrease of 11% to HK\$140,102,000 from HK\$157,204,000 for the corresponding period of last year, and the gross profit margin dropped from 17.66% to 11.80%. The net profit from ordinary activities attributable to shareholders decreased from HK\$7,088,000 to HK\$113,000, while the basic earnings per share dropped from HK1.7640 cents to HK0.0281 cent.

#### *Industrial Laminate Division*

Being the major business unit of the Group, the industrial laminate business achieved a turnover of HK\$94,390,000 for the period under review, which represented a slight decrease of 5.9% when compared with the same period of 2004. The result from operating activities of the business turned from a profitable position of HK\$6.3 million for the six months ended 30 September 2004 to a just about breakeven level for the corresponding period in 2005.

During the past six months under review, the market competition of the industrial laminate business was keen. Though the Group could maintain the selling volume of the division, the average pricing of laminates decreased by around 8.3% from last period to the current period under review. Coupled with the continuous increase in the pricing of various raw materials like heavy metals and petroleum, the division achieved a breakeven for the period under review.

The installation of machineries of the Group's second laminate plant located in Suzhou is in the final stage and trial run is expected to start in the second half of the financial year. Upon completion, it is the Group's strategic plan to serve the potential customers in the eastern part of China as well as to further expand the overseas markets.

#### *PCB Division*

For the six months ended 30 September 2005, the PCB business recorded a decrease of turnover by 19.3% from HK\$55,926,000 to HK\$45,145,000, and such decrease was attributable to the decrease in the actual output. The major reason was keen market competition and slowdown in household demand for video and audio products.

Nevertheless, the division contributed significantly to the consolidated results of the Group, which represented around 100% of the Group's operating results. The cost control measures like savings in sub-contracting fees by investing in drilling machines improved the division's financial position, and thus maintained its gross profit margin at approximately the same level of above 20% as last period.

#### *Copper Foil Division*

The copper foil plant in Thailand serves the role of an internal supplier of copper foil for the manufacturing of industrial laminates and multi-layer PCBs . Such vertical integration can definitely ensure the adequate supply of copper foil and thus maintain the competitive edge of the Group's industrial laminate and PCB businesses.

For the six months ended 30 September 2005, the copper foil plant was able to maintain its operating efficiency and supplied 100% of the product to the industrial laminate division. This plant is a long term capital investment of the Group and still has the capacity to produce more copper foil to fulfill additional demand of the product to the existing laminate plant in Zhongshan, as well as the second laminate plant in Suzhou.

Continuous emphasis will be placed on the research and development of the plant to further enhance the efficiency and yield of this high-end product.

#### *Conclusion*

Due to keen competition in the electronic industries and the continuous increase in raw material costs such as copper, petroleum and its by-products, the bottom line of the Group was inevitably affected. With a view to maintaining the Group's competitiveness in the industry and improve its profitability, the management will keep on broadening product range and customer base, tightening the control over costs, streamlining business structure, as well as strengthening credit and foreign currency risks management.

With the Group's strong foundation and management expertise, the management is optimistic in the performance of the Group in the future.



## Liquidity and Financial Resources

As at 30 September 2005, the current ratio of the Group maintained at 1.11 and the net current assets at HK\$14,155,000, representing a slight drop of 1.8% and an increase of 7.6% respectively when compared with the corresponding amounts as at 31 March 2005.

It is the Group's policy to rely on internally generated funds and bank borrowings to finance its operations and expansion projects. As at 30 September 2005, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$16,991,000 (31 March 2005: HK\$9,533,000), while the total interest-bearing bank loans and other borrowings amounted to HK\$68,179,000 (31 March 2005: HK\$55,231,000).

Despite the increase in raw material costs and the increase of the utilization of trade finance facility in purchasing raw materials, the Group could still maintain its gearing ratio, being the ratio of bank and other borrowings plus finance lease payables to total shareholders' equity, at a comfortable level of 0.35 as at 30 September 2005 (31 March 2005: 0.28), and maintain the finance costs at a low level of HK\$1,804,000 for the six months ended 30 September 2005 (six months ended 30 September 2004: HK\$1,987,000).

The debt maturity profile of the Group is analysed as follows:

	<b>30 September 2005 HK\$'000 (Unaudited)</b>	31 March 2005 HK\$'000 (Audited)
Repayable within one year	<b>58,246</b>	47,669
Repayable in the second year	<b>2,501</b>	2,906
Repayable in the third to fifth years, inclusive	<b>4,480</b>	4,116
Repayable over the fifth year	<b>2,952</b>	540
	<b>68,179</b>	55,231

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai baht and Renminbi, and therefore the Group has no significant exposure to foreign exchange rate fluctuation.

## Contingent liabilities

	<b>30 September 2005 HK\$'000 (Unaudited)</b>	31 March 2005 HK\$'000 (Audited)
Debts factored with recourse	<b><u>53,263</u></b>	<u>28,125</u>

As at 30 September 2005, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$85,304,000 (31 March 2005: HK\$69,955,000), of which HK\$60,026,000 (31 March 2005: HK\$52,382,000) had been utilised.

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance (the "Ordinance"), with a maximum possible amount of HK\$307,000 as at 30 September 2005 (31 March 2005: HK\$539,000). The contingent liability has arisen because, at 30 September 2005, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a significant future outflow of resources from the Group.

## Pledge of assets

As at 30 September 2005, the amount of the Group's assets pledged as security for banking facilities was approximately HK\$47,366,000 (31 March 2005: HK\$47,474,000).

## Employment, Training and Remuneration Policy

During the current period under review, the Group continued to adopt a series of measures towards the size of workforce and commit to staff development and training programs. The Group has approximately 1,078 employees as at 30 September 2005 (30 September 2004: 1,208). Remunerations are commensurate with the nature of jobs, experience and market conditions. Eligible employees are offered with discretionary bonuses and share options on individual and the Group's performance.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2005, the interests of the directors of the Company in the shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have 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 the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Interests in the Company:

Name of director	Long/ Short position	Capacity	Note	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Lau Kwai	Long	Beneficial owner		1,500,000	0.37
	Long	Founder of a discretionary trust	(a)	87,696,000	21.82
	Long	Founder of a discretionary trust	(b)	42,078,400	10.47
	Long	Founder of a discretionary trust	(c)	15,851,200	3.94
Mr. Lau Chung Yim	Long	Beneficial owner		31,766,000	7.91
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
	Long	Beneficiary of a discretionary trust	(b)	42,078,400	10.47
Mr. Lau Chung Hung	Long	Beneficial owner		16,000,000	3.98
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
Mr. Lau Hing Hai	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
	Long	Beneficiary of a discretionary trust	(c)	15,851,200	3.94
Ms. Lau May Wah	Long	Beneficial owner		19,039,200	4.74
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
Mr. Leung Hon Ming	Long	Beneficial owner		150,000	0.03

Notes:

- (a) The shares were held by Woohei Inc. as trustee of The Woohei Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Kwai's spouse, Ms. Fong Shun Yum) of which were beneficially owned by The Lau Kwai Trust, a discretionary trust the beneficiaries of which included the family members of Mr. Lau Kwai.
- (b) The shares were held by Dragon Power Inc. as trustee of The Dragon Power Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Chung Yim's spouse, Ms. Tam Wai Ling, Josephine) of which were beneficially owned by The Jopat Trust, a discretionary trust the beneficiaries of which included Mr. Lau Chung Yim, his spouse and issue.
- (c) The shares were held by Inland Inc. as trustee of The Inland Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Hing Hai's spouse, Ms. Chan Ka Lam) of which were beneficially owned by The Hingka Trust, a discretionary trust the beneficiaries of which included Mr. Lau Hing Hai, his spouse and issue.

In addition to the above, as at 30 September 2005, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the then minimum company membership requirements.

Save as disclosed herein, as at 30 September 2005, none of the directors or chief executive of the Company had any interests/short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have 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 the Model Code, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

The Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest.

The following table shows the movement of share options during the period under review:

Name or Category of participant	Number of share options outstanding at 1 April 2005	Number of share options granted during the period	Number of share options exercised/ cancelled during the period	Number of share options lapsed during the period	Number of share options outstanding at 30 September 2005	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$
<b>Employees other than the directors</b>								
In aggregate	930,000	-	-	(200,000)	730,000	3 June 2004	From 21 May 2004 to 20 May 2007	0.180
	930,000	-	-	(200,000)	730,000	3 June 2004	From 21 January 2005 to 20 May 2007	0.180
	930,000	-	-	(200,000)	730,000	3 June 2004	From 21 September 2005 to 20 May 2007	0.180
	<u>2,790,000</u>	<u>-</u>	<u>-</u>	<u>(600,000)</u>	<u>2,190,000</u>			

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2005, the following persons, not being a director or chief executive of the Company, had an interest in the shares of the Company, as recorded in the register required to be kept under Section 336 of the SFO or as the directors are aware:

Name of substantial shareholder	Long/ Short position	Capacity	Note	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Ms. Chan Ka Lam	Long	Interest of spouse	(a)	103,547,200	25.77
Ms. Fong Shun Yum	Long	Interest of spouse	(b)	147,125,600	36.61
Mr. Lo Tin Yuen	Long	Interest of spouse	(c)	106,735,200	26.56
Ms. Tam Wai Ling Josephine	Long	Interest of spouse	(d)	161,540,400	40.20
Ms. Wong Yuk Ching	Long	Interest of spouse	(e)	103,696,000	25.81
Woohei Inc.	Long	Trustee	(f)	87,696,000	21.82
Dragon Power Inc.	Long	Trustee	(f)	42,078,400	10.47
MeesPierson Trust (Asia) Limited	Long	Trustee	(f) & (g)	145,625,600	36.24

Notes:

- (a) Ms. Chan Ka Lam was deemed to be interested in 103,547,200 shares of the Company through interest of her spouse, Mr. Lau Hing Hai.
- (b) Ms. Fong Shun Yum was deemed to be interested in 147,125,600 shares of the Company through interest of her spouse, Mr. Lau Kwai.
- (c) Mr. Lo Tin Yuen was deemed to be interested in 106,735,200 shares of the Company through interest of his spouse, Ms. Lau May Wah.
- (d) Ms. Tam Wai Ling Josephine was deemed to be interested in 161,540,400 shares of the Company through interest of her spouse, Mr. Lau Chung Yim.
- (e) Ms. Wong Yuk Ching was deemed to be interested in 103,696,000 shares of the Company through interest of her spouse, Mr. Lau Chung Hung.
- (f) These interests have also been disclosed as the interests of Mr. Lau Kwai/Mr. Lau Chung Yim/Mr. Lau Chung Hung/Mr. Lau Hing Hai/Ms. Lau May Wah in the section headed "Directors' interests and short positions in shares and underlying shares" above.
- (g) MeesPierson Trust (Asia) Limited was the Trustee of The Lau Kwai Trust, The Jopat Trust and The Hingka Trust and was therefore deemed to be interested in the 87,696,000 shares indirectly owned by The Lau Kwai Trust, 42,078,400 shares indirectly owned by The Jopat Trust and 15,851,200 shares indirectly owned by The Hingka Trust.

Save as disclosed herein, as at 30 September 2005, no person, other than the directors of the Company whose interests are set out in the section headed “Directors’ interests and short positions in shares and underlying shares” above, had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

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

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY**

The Company has adopted its code of conduct regarding directors’ dealings in the securities of the Company (the “Own Code”) on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by this interim report.

## **COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY**

During the six months ended 30 September 2005, the Company has established written guidelines for the relevant employees of the Company (the “Relevant Employees”) in respect of their dealings in the securities of the Company (the “Written Guidelines”) on terms no less exacting than the required standard set out in the Model Code. For this purpose, “Relevant Employee” includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry of the Relevant Employees, the Relevant Employees confirmed that they have complied with the required standard set out in the Model Code and the Written Guidelines regarding any of their securities transactions in the Company.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules.

## AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, being the three independent non-executive directors of the Company. The Audit Committee has reviewed the Company’s unaudited consolidated interim financial statements for the six months ended 30 September 2005 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

## REMUNERATION COMMITTEE

Pursuant to the CG Code, the Company established a remuneration committee (the “Remuneration Committee”) on 26 July 2005 with specific written terms of reference in accordance with the CG Code. The Remuneration Committee comprises two of the independent non-executive directors, namely Mr. Kwok Kwan Hung (Chairman of the Remuneration Committee) and Mr. Chang Tso Tung Stephen and the Managing Director, Mr. Lau Chung Yim.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board of Directors of the Company on the Company’s policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing such policy, and reviewing the specific remuneration packages of all executive directors and senior management of the Company by reference to corporate goals and objectives resolved by the Board of Directors of the Company from time to time.



## EXECUTIVE COMMITTEE

The Company established an executive committee (the “Executive Committee”) on 26 July 2005 with specific written terms of reference. The Executive Committee comprises all the executive directors of the Company with Mr. Lau Chung Yim, the Managing Director, acting as the Chairman thereof.

The principal responsibilities of the Executive Committee include monitoring the execution of the Company’s strategic plans and operations of all business units of the Company and discussing and making decisions on matters relating to the management and operations of the Company.

## DIRECTORS OF THE COMPANY

As at the date of this interim report, Mr. Lau Kwai, Mr. Lau Chung Yim, Mr. Lau Chung Hung, Mr. Lau Hing Hai and Ms. Lau May Wah are the executive directors of the Company and Mr. Chang Tso Tung Stephen, Mr. Leung Hon Ming and Mr. Kwok Kwan Hung are the independent non-executive directors of the Company.

ON BEHALF OF THE BOARD

**Lau Kwai**

*Chairman*

Hong Kong

23 December 2005