



WINBOX INTERNATIONAL (HOLDINGS) LIMITED

永保時國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 474)



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Corporate Information

Board of Directors

Executive Directors

Ms. Choi Hon Hing (Chairman)
Ms. Fung Wing Ki, Vicky
Ms. Fung Wing Yee, Wynne

Independent Non-Executive Directors

Mr. Tam Hok Lam, Tommy, J.P.
Dr. Hui Ka Wah, Ronnie
Mr. Leung Man Chun, Paul

Audit Committee

Mr. Tam Hok Lam, Tommy, J.P.
(Chairman of committee)
Dr. Hui Ka Wah, Ronnie
Mr. Leung Man Chun, Paul

Remuneration Committee

Mr. Tam Hok Lam, Tommy, J.P.
(Chairman of committee)
Dr. Hui Ka Wah, Ronnie
Mr. Leung Man Chun, Paul
Ms. Choi Hon Hing

Investment Committee

Ms. Choi Hon Hing (Chairman of committee)
Ms. Fung Wing Ki, Vicky
Mr. Cheng Kin Wah, Thomas

Company Secretary and Qualified Accountant

Mr. Cheng Kin Wah, Thomas CPA

Compliance Adviser

VXL Financial Services Limited
Unit 3214, 32nd Floor
Cosco Tower
Grand Millennium Plaza (High Block)
183 Queen's Road Central
Hong Kong

Solicitors

F. Zimmern & Co.
Suites 1501-1503
15th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

Commerce & Finance Law Offices
21E Shenzhen Te Qu Bao Ye Building
6008 Shennan Road, Shenzhen
The PRC

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road
Central
Hong Kong

Principal Share Registrar and Transfer Office in Cayman Islands

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services
Limited
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

2nd Floor, Ching Cheong Industrial Building
1-7 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

Website

www.winboxhk.com

Interim Dividend

We are pleased to present herewith the Interim Report of Winbox International (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) together with the condensed consolidated financial statements for the six months ended 30 September 2006. The condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity of the Group for the six months ended 30 September 2006 and the condensed consolidated balance sheet as at 30 September 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 18 to 36 of this report.

Interim Dividend

At the annual general meeting of the Company held on 31 August 2006, a final dividend of HK\$0.025 per share in respect of the year ended 31 March 2006, amounting to HK\$10,000,000 was approved.

The board does not recommend the payment of an interim dividend for the six months ended 30 September 2006.

Business Review

There is no material change in the Group's business and operations during the six months ended 30 September 2006 from that disclosed in the Annual Report for the year ended 31 March 2006. Following the listing of the Company's shares in June 2006, the Group has gained more exposure in the industry and has received more orders from customers with international reputation.

Production capacity of the Group is expected to increase with the addition of approximately five to seven production lines from the second half of the current financial year.

Financial Review

Revenue

The Group's revenue for the six months ended 30 September 2006 was approximately HK\$80.9 million, (2005: HK\$87.5 million) which decreased approximately 7.5% compared to the six months ended 30 September 2005. This decrease was mainly attributable to the delay in recognition of sales for certain customers' orders the shipment of which fall outside of the current reporting period. Such delay in recognition of sales represented approximately HK\$8 million of customer orders which are expected to be delivered during the second half of the current financial year.

Products manufactured by the Group are mainly sold directly to customers located in Europe and North America. For the six months ended 30 September 2006, sales to Europe and North America accounted for a total of approximately 79.7% (2005: 70.9%) of the Group's revenue.

Gross profit

The Group's gross profit decreased from approximately HK\$35.8 million for the year ended 30 September 2005 to approximately HK\$30.8 million for the year ended 30 September 2006. However, the gross profit margin remained stable at approximately 38.0% compared to the gross profit margin of approximately 38.2% for the year ended 31 March 2006.

Other income

The Group's other income decreased from approximately HK\$3.6 million for the six months ended 30 September 2005 to approximately HK\$2.7 million for the six months ended 30 September 2006. This decrease was mainly due to a decrease in income from investing activities.

Management Discussion and Analysis

Administrative Expenses

The Group's administrative expenses (HK\$15.0 million) as a percentage of turnover was approximately 18.6% for the six months ended 30 September 2006 which is stable compared to 20.5% for the year ended 31 March 2006. It also represented a decrease of approximately HK\$2.1 million from that for the six months ended 30 September 2005.

Finance Costs

The level of finance costs of the Group for the six months ended 30 September 2005 and 2006 remained stable at approximately HK\$0.1 million.

Net Profit

The Group's net profit decreased by approximately 19.5% from approximately HK\$16.8 million for the six months ended 30 September 2005 to approximately HK\$13.5 million for the six months ended 30 September 2006. The decrease was mainly due to the fall in turnover as described above.

Liquidity, Capital Structure and Financial Resources

There is no material change in the Group's position in relation to liquidity, capital structure and financial resources as disclosed in the Annual Report for the year ended 31 March 2006 except that trade and bills receivables as at 30 September 2006 increased to approximately HK\$29.2 million from approximately HK\$17.9 million as at 31 March 2006. Generally, there are relatively more shipments of orders (hence, more sales recognized) commencing from the second quarter of a calendar year than the first quarter of a calendar year in which the Chinese New Year usually falls.

Capital Commitment and Contingent Liabilities

As at 30 September 2006, the Group committed to purchase 8,000, 160, 13,000 and 1,140 of the equity shares of China Construction Bank Corporation, Deutsche Bank A.G., The Link REIT and Valero Energy Corporation respectively under four structured financial products for an aggregate amount of approximately HK\$850,000.

Except as disclosed above, there is no material change in the Group's position in relation to the Group's capital commitment and contingent liabilities as disclosed in the Annual Report for the year ended 31 March 2006.

Exposure to Fluctuations in Exchange Rates

The net foreign exchange gain of the Group for the six months ended 30 September 2006 was approximately HK\$43,000 compared to the net foreign exchange loss of HK\$1.3 million for the corresponding period in 2005. Except as disclosed, there is no material change in the Group's position in relation to foreign exchange exposure as disclosed in the Annual Report for the year ended 31 March 2006.

Employment and Share Option Schemes

As at 30 September 2006, the Group had a total of approximately 1,600 employees (including those employed through processing agreement) in Hong Kong, the People's Republic of China and France. A summary of the Share Option Schemes of the Group is set out on pages 8 to 9 of this report.

Significant Investments, Material Acquisitions and Disposals

The Group did not have any significant investments, material acquisitions and disposals during the six months ended 30 September 2006.

Share Option Schemes

The Company approved and adopted a pre-listing share option scheme (the “Pre-Listing Share Option Scheme”) on 16 May 2006 and granted the options to certain directors and employees of the Group who have, in the opinion of the Board, made contribution to the development of the Group. The purpose of granting the options is to provide incentives or rewards to employees and the directors of the Group for their contribution to the Group.

A share option scheme (the “Share Option Scheme”) was conditionally adopted by the sole shareholder’s written resolution of the Company dated 16 May 2006. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company, amongst other things, shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time after its Listing on 6 June 2006.

Further details of the principal terms of the Pre-Listing Share Option Scheme and the Share Option Scheme, and the pre-listing share options granted to the relevant directors and employees of the Group are summarized in the paragraphs headed “Share Option Scheme” and “Pre-Listing Share Option Scheme” in Appendix VI to the prospectus dated 24 May 2006 (“the Prospectus”) issued by the Company.

Details of the share options outstanding and movements under the Pre-Listing Share Option Scheme during the period were as follows:-

| Grantee | Date of grant | Vesting Period (Note 1) | Exercisable period | Exercise price per share HK\$ | Number of share options | | |
|----------------------|---------------|-------------------------|--------------------------|-------------------------------|-------------------------|---------------------------|----------------------|
| | | | | | At 1 April 2006 | Granted during the period | At 30 September 2006 |
| Directors | | | | | | | |
| Choi Hon Hing | 16-05-2006 | | 06-06-2007 to 05-06-2012 | 0.225 | — | 4,444,313 | 4,444,313 |
| Fung Wing Ki, Vicky | 16-05-2006 | | 06-06-2007 to 05-06-2012 | 0.225 | — | 3,333,262 | 3,333,262 |
| Fung Wing Yee, Wynne | 16-05-2006 | | 06-06-2007 to 05-06-2012 | 0.225 | — | 3,333,262 | 3,333,262 |
| Employees | 16-05-2006 | | 06-06-2007 to 05-06-2012 | 0.225 | — | 8,444,424 | 8,444,424 |

Share Option Schemes

Notes:

1. All these options shall vest in three stages: (i) 30% of share options granted (rounded down to the nearest whole number of Shares) from the expiry of one (1) year from the Listing Date up to the day immediately before the fourth anniversary of the Listing Date; (ii) 30% of share options granted (rounded down to the nearest whole number of Shares) from the expiry of two (2) years from the Listing Date up to the day immediately before the fifth anniversary of the Listing Date; and (iii) 40% of the share options granted (rounded down to the nearest whole number of Shares) from the expiry of three (3) years from the Listing Date up to the day immediately before the sixth anniversary of the Listing Date.
2. In accessing the fair value of the share options granted the period, the Black-Scholes option pricing model (the "Black-Scholes Model") has been used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of options and is one of the recommended option pricing models set out in Chapter 17 of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Black-Scholes Model requires the input of highly subjective assumptions, including the volatility of share price. The changes in subjective input assumptions can materially affect the fair value estimate.

In the current period, share options were granted on 16 May 2006 and share option expense of approximately HK\$1 million has been recognised with a corresponding adjustment recognised in the Group's share options reserve. The fair value of the share options granted on that date was approximately HK\$5.1 million. Details of the fair value of the share options determined at the date of grant on 16 May 2006 using the Black-Scholes Model as follows:

| | 16 May 2006 | Note |
|--------------------------|-------------|------|
| Share price | HK\$0.55 | a |
| Exercise price | HK\$0.225 | b |
| Expected life of options | 4-6 years | c |
| Expected volatility | 20% | d |
| Expected dividend yield | 4.5% | e |
| Risk free rate | 4.47% | |

For the purpose of calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

- (a) The price of the Company's share at 16 May 2006 is assumed to be HK\$0.55 per share, which is equal to the offer price on listing.
- (b) The exercise price is HK\$0.225, which is specified in the paragraphs headed "Pre-Listing Share Option Scheme" in Appendix VI to the Prospectus.
- (c) The life of option ranges from 4 to 6 years from the date of grant.
- (d) Expected volatility is determined by calculating the historical volatility of the price of listed companies with similar business to the Group.
- (e) Expected dividend yield is determined by the directors based on the historical record and the expected future performance of the Group.

Disclosure of Interests

Directors' Interests and Short Positions in Shares and Underlying Shares of the Company and Associated Corporation

As at 30 September 2006, the interests of each Director and their associates in the shares of the Company and any of its associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies ("Model Code"), were as follows:

| Name of Director | Capacity | Number of Ordinary Shares held – long positions | | | | Total | Approximate percentage of the total issued share capital |
|----------------------|---|---|-----------------|---------------------|-------------------------|-------------|--|
| | | Personal Interest | Spouse Interest | Corporate Interest | Other Interest | | |
| Choi Hon Hing | Beneficial owner, interest of spouse, interest of controlled corporations & beneficiary of trusts | 4,544,313 | 43,640,117 | 706,556 (Note 1) | 160,000,000 (Note 2) | 208,890,986 | 52.22% |
| Fung Wing Ki, Vicky | Beneficial owner & beneficial of trust | 3,333,262 | — | — | 160,000,000 (Note 2) | 163,333,262 | 40.83% |
| Fung Wing Yee, Wynne | Beneficial owner & beneficial of trust | 3,333,262 | — | — | 160,000,000 (Note 2) | 163,333,262 | 40.83% |

Notes:

1. Ms. Choi Hon Hing has beneficial interests in Bo Hing Limited ("Bo Hing"), which was interested in 706,556 shares in the Company as at 30 September 2006, representing approximately 0.177% in the issued share capital of the Company.
2. The three references to 160,000,000 shares relate to the same block of shares held by Gainbest Investments Limited ("Gainbest") which is a company wholly owned by HSBC International Trustee Limited as the trustee of a discretionary trust set up by Mr. Fung Ka Pun, the spouse of Ms. Choi Hon Hing, of which the discretionary objects include but not limited to Ms. Choi Hon Hing, Ms. Fung Wing Ki, Vicky and Ms. Fung Wing Yee, Wynne. Gainbest is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares of the Company" of this report.

Except as disclosed above, as at 30 September 2006, none of the Directors and their associates had any other interests in shares in, or debentures of, the Company or any of its associated corporation which had been entered in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

Details of the share options granted to the Directors by the Company and outstanding as at 30 September 2006 are set out under the section "Share Option Schemes" above.

Disclosure of Interests

Substantial Shareholders' Interests and Short Positions in the Shares of the Company

As at 30 September 2006, the following entities have interests or short positions of 5% or more in the issued shares of the Company which were recorded in the Register of Substantial Shareholders maintained under Section 336 of the SFO or had otherwise notified to the Company:

| Name | Number of ordinary shares – long positions | Capacity | Approximate percentage of the total issued share capital | Note |
|---|--|--------------------------------------|--|------|
| Gainbest Investments Limited | 160,000,000 | Beneficial owner | 40% | 1 |
| Mr. Fung Ka Pun | 160,000,000 | Founder of a discretionary trust | 52% | 1 |
| | 41,737,167 | Interest of controlled corporations | | 2 |
| | 1,458,106 | Beneficial owner | | |
| | 4,823,713 | Interest of Spouse | | |
| HSBC International Trustee Limited | 160,000,000 | Trustee of a discretionary trust | 40% | 1 |
| Monnie Luck Limited | 39,200,000 | Beneficial owner | 9.80% | 3 |
| Yue Xiu Enterprises (Holdings) Limited | 39,200,000 | Interest of a controlled corporation | 9.80% | 3 |
| Goodwill International (Holdings) Limited | 41,030,611 | Beneficial owner | 10.26% | |
| Newmark Capital Corporation Limited | 20,865,402 | Beneficial owner | 5.21% | 4 |
| Newmark Capital Holdings Limited | 20,865,402 | Interest of a controlled corporation | 5.21% | 4 |
| Mr. Ng Poh Meng | 20,865,402 | Interest of a controlled corporation | 5.21% | 4 |
| Kilmacolm S.A. | 20,000,000 | Beneficial owner | 5% | |

Disclosure of Interests

Other than as disclosed above, as at 30 September 2006, no person (other than Directors of the Company) has interests or short positions in the shares or underlying shares of the Company which were recorded in the Register of substantial shareholders maintained under Section 336 of the SFO.

Notes

1. Gainbest Investments Limited is a company wholly owned by HSBC International Trustee Limited as the trustee of a discretionary trust set up by Mr. Fung Ka Pun, for the benefit of his family members including but not limited to Ms. Choi Hon Hing, Ms. Fung Wing Ki, Vicky and Ms. Fung Wing Yee, Wynne as discretionary objects.
2. Mr. Fung Ka Pun has beneficial interests in Bo Hing and Goodwill International (Holdings) Limited ("Goodwill International"), which were interested in 706,556 shares and 41,030,611 shares in the Company respectively as at 30 September 2006, representing approximately 10.43% of the issued share capital of the Company.
3. Monnie Luck Limited is wholly owned by Mr. Xiao Boyan as trustee on trust for Yue Xiu Enterprises (Holdings) Limited.
4. Newmark Capital Corporation Limited is wholly owned by Newmark Capital Holdings Limited which, in turn, is wholly owned by Mr. Ng Poh Meng.

Compliance with Code on Corporate Governance Practices of The Listing Rules

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize on a quality board of Directors (the “Board”), sound internal control, transparency and accountability to all shareholders of the Company. For the six months ended 30 September 2006, there is no deviation from the Corporate Governance Report as contained in the Annual Report of the Company for the year ended 31 March 2006.

Throughout the six months ended 30 September 2006, the Company has applied the principles of the Code on Corporate Governance Practices (the “CG Code”), as set out in Appendix 14 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), save for the deviation from code provision A.2.1 of the CG Code that the roles of chairman and chief executive director should be separated and should not be performed by the same individual. However, the Company does not separate the roles of the chairman and chief executive officer.

Ms. Choi Hon Hing, the Chairman of the Company, assumes the role of chief executive officer and is responsible for the overall control and management of the Company and the Group. The Company considers that the combination of the roles of chairman and chief executive officer can promote the efficient formulation and implementation of the Company’s strategies which will enable the Group to grasp business opportunities more efficiently and promptly. The Company considers that through the supervision by its Board and its Independent Non-Executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately represented.

Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors’ securities transaction. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period and they all confirmed having fully complied with the required standard set out in the Model Code.

Compliance with Code on Corporate Governance Practices of The Listing Rules

Purchase, Sale or Redemption of the Company's Shares

On 7 August 2006, Fairich Investment Limited, an indirect wholly owned subsidiary of the Company, which is also a shareholder of Goodwill International (Holdings) Limited, sold 379,400 shares of the Company.

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2006.

Audit Committee

The Company established an Audit Committee on 16 May 2006 with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are consistent with the provisions as set out in the CG Code and are available on the Company's website.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2006 with the Directors and external auditors.

The Audit Committee has also reviewed the Interim Report for the six months ended 30 September 2006 and proposed to the Board for its approval.

On behalf of the Board

Choi Hon Hing

Chairman

Hong Kong, 6 December 2006

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF WINBOX INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 18 to 36.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Independent Interim Review Report

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, the condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30 September 2005 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6 December 2006

Condensed Consolidated Income Statement

For the six months ended 30 September 2006

| | NOTES | Six months ended 30 September | |
|-------------------------|-------|----------------------------------|---------------------------------|
| | | 2006 HK\$'000 (unaudited) | 2005 HK\$'000 (unaudited) |
| Revenue | 3 | 80,941 | 87,496 |
| Cost of sales | | <u>(50,167)</u> | <u>(51,743)</u> |
| Gross profit | | 30,774 | 35,753 |
| Other income | 5 | 2,654 | 3,616 |
| Distribution costs | | (2,229) | (2,553) |
| Administrative expenses | | (15,016) | (17,127) |
| Finance costs | 6 | <u>(111)</u> | <u>(141)</u> |
| Profit before taxation | 7 | 16,072 | 19,548 |
| Taxation | 8 | <u>(2,541)</u> | <u>(2,745)</u> |
| Profit for the period | | <u>13,531</u> | <u>16,803</u> |
| Dividends | 9 | <u>10,000</u> | <u>20,000</u> |
| Earnings per share | 10 | | |
| Basic | | <u>3.38 cents</u> | <u>4.20 cents</u> |
| Diluted | | <u>3.33 cents</u> | <u>N/A</u> |

Condensed Consolidated Balance Sheet

At 30 September 2006

| | NOTES | 30 September 2006 HK\$'000 (unaudited) | 31 March 2006 HK\$'000 (audited) |
|---|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 16,057 | 15,953 |
| Prepaid lease payments | | 4,454 | 4,507 |
| Goodwill | | 10,214 | 9,699 |
| Available-for-sale investments | | 11,363 | 11,363 |
| | | <u>42,088</u> | <u>41,522</u> |
| Current assets | | | |
| Inventories | | 30,810 | 24,417 |
| Trade receivables | 12 | 28,481 | 17,739 |
| Bills receivable | 12 | 736 | 183 |
| Other receivables, deposits and prepayments | | 5,601 | 11,488 |
| Investments held for trading | | 50,451 | 50,068 |
| Bank balances and cash | | 45,969 | 54,675 |
| | | <u>162,048</u> | <u>158,570</u> |
| Current liabilities | | | |
| Trade payables | 13 | 13,700 | 10,491 |
| Other payables, deposits received and accruals | | 16,211 | 21,962 |
| Derivative financial instruments | | 124 | 297 |
| Borrowing due within one year | 14 | 386 | 780 |
| Taxation payable | | 2,312 | 1,112 |
| | | <u>32,733</u> | <u>34,642</u> |
| Net current assets | | <u>129,315</u> | <u>123,928</u> |
| Total assets less current liabilities | | 171,403 | 165,450 |
| Non-current liability | | | |
| Retirement benefits obligations | | 1,009 | 836 |
| | | <u>170,394</u> | <u>164,614</u> |
| Capital and reserves | | | |
| Share capital | 15 | 20,000 | 4 |
| Reserves | | 150,394 | 164,610 |
| Equity attributable to equity holders of the parent | | <u>170,394</u> | <u>164,614</u> |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2006

| | Share capital HK\$'000 | Share premium HK\$'000 | Share options reserve HK\$'000 (note c) | Special reserve HK\$'000 (note d) | Translation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|---|--|------------------------------------|---------------------------------|-------------------|
| Six months ended 30 September 2006 | | | | | | | |
| At 1 April 2006 (note a) | 4 | 6,544 | — | 7,698 | 3,130 | 147,238 | 164,614 |
| Exchange difference on translation of foreign operations | — | — | — | — | 1,246 | — | 1,246 |
| Profit for the period | — | — | — | — | — | 13,531 | 13,531 |
| Total recognised income and expenses for the period | — | — | — | — | 1,246 | 13,531 | 14,777 |
| Amount arising on group reorganisation | (4) | — | — | 4 | — | — | — |
| Issue of new shares as consideration for the acquisition of Winbox (BVI) Limited pursuant to the group reorganisation | 20,000 | — | — | (20,000) | — | — | — |
| Final dividend for 2006 paid | — | — | — | — | — | (10,000) | (10,000) |
| Recognition of equity-settled share-based payments | — | — | 1,003 | — | — | — | 1,003 |
| At 30 September 2006 (unaudited) | <u>20,000</u> | <u>6,544</u> | <u>1,003</u> | <u>(12,298)</u> | <u>4,376</u> | <u>150,769</u> | <u>170,394</u> |
| Six months ended 30 September 2005 | | | | | | | |
| At 1 April 2005 (note b) | 4 | 6,544 | — | 7,698 | 4,254 | 140,434 | 158,934 |
| Exchange difference on translation of foreign operations | — | — | — | — | (1,199) | — | (1,199) |
| Profit for the period | — | — | — | — | — | 16,803 | 16,803 |
| Total recognised income and expenses for the period | — | — | — | — | (1,199) | 16,803 | 15,604 |
| Interim dividend for 2005 paid | — | — | — | — | — | (10,000) | (10,000) |
| Special dividend for 2005 declared | — | — | — | — | — | (10,000) | (10,000) |
| At 30 September 2005 (unaudited) | <u>4</u> | <u>6,544</u> | <u>—</u> | <u>7,698</u> | <u>3,055</u> | <u>137,237</u> | <u>154,538</u> |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2006

Notes:

- (a) The share capital as at 1 April 2006 represented the aggregate share capital of the Company and Winbox (BVI) Limited.
- (b) The share capital as at 1 April 2005 represented the share capital of Winbox (BVI) Limited.
- (c) The Group's share options reserve represents the recognition of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period.
- (d) The special reserve of HK\$12,298,000 mainly consisted of (i) HK\$7,698,000 representing the difference between the nominal amount of share capital then issued by Winbox (BVI) Limited and the nominal amount of the share capital of the acquired subsidiaries and (ii) HK\$20,000,000 arising from the group reorganisation on 16 May 2006.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

| | Six months ended 30 September | |
|--|----------------------------------|-----------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | <u>(193)</u> | <u>16,509</u> |
| NET CASH FROM INVESTING ACTIVITIES | | |
| Interest received | 1,351 | 1,381 |
| Dividends received from investments held for trading | 720 | 130 |
| Purchase of property, plant and equipment | <u>(455)</u> | <u>(220)</u> |
| | <u>1,616</u> | <u>1,291</u> |
| NET CASH USED IN FINANCING ACTIVITIES | | |
| Dividend paid | (10,000) | (10,000) |
| Repayment of borrowing | (394) | (474) |
| Interest paid | <u>(111)</u> | <u>(141)</u> |
| | <u>(10,505)</u> | <u>(10,615)</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (9,082) | 7,185 |
| CASH AND CASH EQUIVALENTS AT 1 APRIL | 54,675 | 58,190 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | <u>376</u> | <u>(543)</u> |
| CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER | <u>45,969</u> | <u>64,832</u> |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | <u>45,969</u> | <u>64,832</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

1. BASIS OF PRESENTATION OF INTERIM FINANCIAL STATEMENTS

Winbox International (Holdings) Limited (the “Company”) was incorporated in the Cayman Islands on 30 September 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 6 June 2006.

Through a group reorganisation (“the Reorganisation”) to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares on the Stock Exchange, the Company became the holding company of the Group on 16 May 2006. Details of the Reorganisation were set out in the prospectus dated 24 May 2006 (the “Prospectus”) issued by the Company.

The principal steps of the Reorganisation were as follows:

- (a) on 30 September 2005, the Company was incorporated in the Cayman Islands.
- (b) on 10 May 2006, every issued and unissued share of HK\$0.10 of the Company was divided into two shares of HK\$0.05 each.
- (c) on 16 May 2006, Ms. Choi Hon Hing transferred 2 shares of the Company to Boxmore Limited (“Boxmore”) for cash at par.
- (d) on 16 May 2006, the Company acquired the entire issued share capital of Winbox (BVI) Limited from Boxmore and allotted and issued 399,999,998 shares, credited as fully paid, to Boxmore as consideration therefor.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity of the Group for the six months ended 30 September 2006 and 30 September 2005 have been prepared using the principles of merger accounting as if the group structure had been in existence throughout the six months ended 30 September 2006 and 30 September 2005 or since their respective dates of incorporation/establishment or date of acquisition, whichever is the shorter period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

1. BASIS OF PRESENTATION OF INTERIM FINANCIAL STATEMENTS *(continued)*

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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The principal activity of the Group is the sale of quality plastic and paper boxes for luxury consumer goods.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 September 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006. In addition, the Group has applied the following accounting policy for share options granted during the current interim period.

Equity-settled share-based payment transactions

Equity-settled share-based payments are measured at fair value (excluding the effect on non market-based vesting conditions) at the date of grant. The fair value of services received determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the share options that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding increase in share options reserve. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Capital disclosures ¹ |
| HKFRS 7 | Financial instruments: Disclosures ¹ |
| HK(IFRIC) - INT 8 | Scope of HKFRS 2 ² |
| HK(IFRIC) - INT 9 | Reassessment of Embedded Derivatives ³ |
| HK(IFRIC) - INT 10 | Interim financial reporting and impairment ⁴ |

¹ Effective for accounting periods beginning on or after 1 January 2007.

² Effective for accounting periods beginning on or after 1 May 2006.

³ Effective for accounting periods beginning on or after 1 June 2006.

⁴ Effective for accounting periods beginning on or after 1 November 2006.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less sales tax and sales returns during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

4. SEGMENT INFORMATION

The directors report the geographical segments as the Group's primary segment information.

Geographical segments

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

For the six months ended 30 September 2006

| | Hong Kong | North America | Europe | Unallocated | Consolidated |
|--------------------------------|---------------|---------------|---------------|--------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | <u>14,028</u> | <u>9,446</u> | <u>55,067</u> | <u>2,400</u> | <u>80,941</u> |
| Segment results | <u>6,916</u> | <u>2,726</u> | <u>13,394</u> | <u>529</u> | <u>23,565</u> |
| Other income | | | | | 2,654 |
| Unallocated corporate expenses | | | | | (10,036) |
| Finance costs | | | | | <u>(111)</u> |
| Profit before taxation | | | | | 16,072 |
| Taxation | | | | | <u>(2,541)</u> |
| Profit for the period | | | | | <u>13,531</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

4. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

For the six months ended 30 September 2005

| | Hong Kong | North America | Europe | Unallocated | Consolidated |
|--------------------------------|---------------|---------------|---------------|--------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | <u>22,343</u> | <u>9,243</u> | <u>52,790</u> | <u>3,120</u> | <u>87,496</u> |
| Segment results | <u>10,727</u> | <u>2,408</u> | <u>14,338</u> | <u>370</u> | <u>27,843</u> |
| Other income | | | | | 3,616 |
| Unallocated corporate expenses | | | | | (11,770) |
| Finance costs | | | | | <u>(141)</u> |
| Profit before taxation | | | | | 19,548 |
| Taxation | | | | | <u>(2,745)</u> |
| Profit for the period | | | | | <u>16,803</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

5. OTHER INCOME

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2006 HK\$'000 (unaudited) | 2005 HK\$'000 (unaudited) |
| Interest earned on bank deposits | 853 | 564 |
| Interest earned on quoted debt securities | 498 | 817 |
| Net realised gain on disposal of investments held for trading | — | 1,014 |
| Net foreign exchange gain | 43 | — |
| Change in fair value of investments held for trading | 140 | 648 |
| Change in fair value of derivative financial instruments | 173 | — |
| Dividend income from investments held for trading | 720 | 130 |
| Sundry income | 227 | 443 |
| | <u>2,654</u> | <u>3,616</u> |

6. FINANCE COSTS

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2006 HK\$'000 (unaudited) | 2005 HK\$'000 (unaudited) |
| Interest on bank overdrafts and other borrowing wholly repayable within five years | <u>111</u> | <u>141</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

7. PROFIT BEFORE TAXATION

| | Six months ended 30 September | |
|--|----------------------------------|---------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Profit before taxation is arrived after charging (crediting): | | |
| Allowance for (reversal of) slow moving inventories (included in cost of sales) | 146 | (1,230) |
| Depreciation of property, plant and equipment | 716 | 1,093 |
| Net realised loss on disposal of investments held for trading | 267 | — |
| Change in fair value of derivative financial instruments | — | 331 |
| Staff costs (including directors' emoluments) | | |
| Fees, salaries, bonus and other allowances | 15,531 | 15,698 |
| Retirement benefit scheme contributions | 2,298 | 2,931 |
| | <u>17,829</u> | <u>18,629</u> |

Note: Reversal of allowance for slow moving inventories was made when the net realisable value of those inventories on which allowance had previously been made is greater than the written down carrying value.

8. TAXATION

| | Six months ended 30 September | |
|---------------------|----------------------------------|--------------|
| | 2006 | 2005 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current tax: | | |
| Hong Kong | 1,200 | 1,663 |
| Other jurisdictions | 1,341 | 1,082 |
| | <u>2,541</u> | <u>2,745</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

8. TAXATION *(continued)*

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDENDS

| | Six months ended 30 September | |
|------------------|----------------------------------|---------------------------------|
| | 2006 HK\$'000 (unaudited) | 2005 HK\$'000 (unaudited) |
| Interim dividend | — | 10,000 |
| Special dividend | — | 10,000 |
| Final dividend | <u>10,000</u> | <u>—</u> |
| | <u>10,000</u> | <u>20,000</u> |

During the six months ended 30 September 2006, a dividend of HK\$0.025 per share, amounting to HK\$10,000,000 in total, was paid to shareholders as the final dividend for 2006.

The directors do not recommend payment of an interim dividend for the six months ended 30 September 2006.

On 4 July 2005 and 30 August 2005, the directors of Winbox (BVI) Limited, the then holding company of the Group, declared and its then shareholder approved an interim dividend and special dividend amounting to HK\$10,000,000 each respectively. The interim dividend was paid during the six months period ended 30 September 2005.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the parent is based on the following data:

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2006 HK\$'000 (unaudited) | 2005 HK\$'000 (unaudited) |
| Earnings | | |
| Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent) | <u>13,531</u> | <u>16,803</u> |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u>400,000</u> | <u>400,000</u> |
| Effect of dilutive potential ordinary shares: | | |
| Share options | <u>6,014</u> | N/A |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>406,014</u> | N/A |

The calculation of weighted average number of ordinary shares for the six months ended 30 September 2006 and 30 September 2005 were based on the assumption that the Reorganisation had been completed on 1 April 2005.

Diluted earnings per share for the six months ended 30 September 2005 was not disclosed as there was no dilutive potential ordinary shares.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2006, the Group spent HK\$455,000 (six months ended 30 September 2005: HK\$220,000) on acquisition of property, plant and equipment.

12. TRADE RECEIVABLES AND BILLS RECEIVABLE

The Group allows an average credit period of 30 to 60 days to its trade customers. The aged analysis of trade receivables and bills receivable are stated as follows:

| | 30 September 2006 HK\$'000 (unaudited) | 31 March 2006 HK\$'000 (audited) |
|--|---|---|
| 0 to 30 days | 19,136 | 13,149 |
| 31 to 60 days | 7,667 | 2,878 |
| 61 to 90 days | 709 | 1,124 |
| 91 to 180 days | 751 | 497 |
| Over 180 days | 218 | 1,394 |
| | <u>28,481</u> | <u>19,042</u> |
| Less: Allowance for bad and doubtful debts | — | (1,303) |
| | <u>28,481</u> | 17,739 |
| Bills receivable - within 60 days | 736 | 183 |
| | <u>29,217</u> | <u>17,922</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

13. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period taken for trade purchases is 30 to 60 days. The aged analysis of trade payables is stated as follows:

| | 30 September 2006 HK\$'000 (unaudited) | 31 March 2006 HK\$'000 (audited) |
|----------------|---|---|
| 0 to 30 days | 6,277 | 5,816 |
| 31 to 60 days | 4,574 | 2,743 |
| 61 to 90 days | 2,155 | 621 |
| 91 to 180 days | 694 | 1,311 |
| | <u>13,700</u> | <u>10,491</u> |

14. BORROWING DUE WITHIN ONE YEAR

| | 30 September 2006 HK\$'000 (unaudited) | 31 March 2006 HK\$'000 (audited) |
|---|---|---|
| Other borrowing due within one year - secured | <u>386</u> | <u>780</u> |

The other borrowing is denominated in Euro which represents borrowing from an independent third party bearing an interest of 10.2% per annum and was secured by a freehold land and building of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

15. SHARE CAPITAL

| | Number of shares | Share capital HK\$'000 |
|---|----------------------|------------------------------|
| Authorised: | | |
| At 1 April 2006, ordinary shares of HK\$0.10 each | 3,900,000 | 390 |
| Share subdivision (note a) | 3,900,000 | — |
| Increase during the period (note b) | 1,992,200,000 | 99,610 |
| | <u>2,000,000,000</u> | <u>100,000</u> |
| At 30 September 2006, ordinary shares of HK\$0.05 each | <u>2,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| At 1 April 2006, ordinary shares of HK\$0.10 each | 1 | — |
| Share subdivision (note a) | 1 | — |
| Issue of share as consideration for the acquisition of a subsidiary pursuant to the Reorganisation (note c) | 399,999,998 | 20,000 |
| | <u>400,000,000</u> | <u>20,000</u> |
| At 30 September 2006, ordinary shares of HK\$0.05 each | <u>400,000,000</u> | <u>20,000</u> |

Details of the changes in the Company's share capital for the six months ended 30 September 2006 are as follows:

- (a) On 10 May 2006, every issued and unissued share of HK\$0.10 was subdivided into two shares of HK\$0.05 each.
- (b) By written resolutions of the then sole shareholder of the Company dated 16 May 2006, the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of an additional 1,992,200,000 shares to rank pari passu in all respect with the shares then in issue of HK\$0.05 each.
- (c) On 16 May 2006, the Company acquired the entire issued share capital of Winbox (BVI) Limited from Boxmore at a consideration to be satisfied by the allotment of 399,999,998 shares of the Company, credited as fully paid, to Boxmore.
- (d) The Company's shares are listed on the Main Board of the Stock Exchange on 6 June 2006.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

15. SHARE CAPITAL *(continued)*

For the purpose of the preparation of the condensed consolidated financial statements, the share capital at 31 March 2006 represented the aggregate paid-in capital of the Company and Winbox (BVI) Limited, which became a wholly owned subsidiary of the Company pursuant to the completion of the Reorganisation on 16 May 2006.

16. COMMITMENTS

- (i) At 30 September 2006, the Group committed to purchase 8,000, 160, 13,000 and 1,140 of the equity shares of China Construction Bank Corporation, Deutsche Bank A.G., The Link REIT and Valero Energy Corporation respectively under four structured financial products for an aggregate amount of approximately HK\$850,000 as at 30 September 2006.

At 31 March 2006, the Group committed to purchase 8,000, 200 and 120 of the equity shares of China Construction Bank Corporation, Citigroup Inc. and Valero Energy Corporation respectively under three structured financial products for an aggregate amount of approximately HK\$136,000 as at 31 March 2006.

- (ii) At 31 March 2006, the Group was committed to capital expenditure of approximately HK\$210,000 in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements.

Other than as disclosed above, the directors confirmed that there were no significant commitments as at the balance sheet date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2006

17. SHARE OPTIONS

On 16 May 2006, a Pre-Listing Share Option Scheme (“Pre-Listing Scheme”) and a Share Option Scheme were adopted for the purpose of recognising and motivating the contributions of eligible persons to the Company. On 16 May 2006, share options were granted under the Pre-Listing Scheme to certain directors of the Company and eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

| | Number of share options |
|--|------------------------------------|
| Outstanding at the beginning of the period | — |
| Granted during the period | 19,555,261 |
| | <hr/> |
| Outstanding at the end of the period | 19,555,261 |
| | <hr/> <hr/> |

In the current period, share option expense of approximately HK\$1,003,000 has been recognised with a corresponding adjustment recognised in the Group’s share options reserve.

The fair values of the share options granted during the current period determined at the date of grant using the Black-Scholes option pricing model was approximately HK\$5,100,000.

18. RELATED PARTY TRANSACTIONS

The remuneration of directors during the six months ended 30 September 2006 was HK\$552,000 (six months ended 30 September 2005: HK\$1,124,000).