



MEXAN LIMITED

茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 22



INTERIM REPORT 2006/2007

The board of directors (the "Board") of MEXAN LIMITED (the "Company") announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006. The results have been reviewed by the Audit Committee. The unaudited consolidated condensed accounts of the Group for the six months ended 30 September 2006 together with the comparative figures for the corresponding previous period as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Note	Unaudited Six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000
CONTINUING OPERATIONS			
Turnover	2	119,853	38,122
Direct costs		(55,503)	(9,795)
Gross profit		64,350	28,327
Other revenues	2	5,037	17,379
Administrative and other operating expenses		(51,942)	(40,381)
Profit from operations	3	17,445	5,325
Finance costs		(58,615)	(10,080)
Share of results of a jointly controlled entity		—	(1,053)
(Decrease)/increase in fair value of investment properties		(3,500)	1,475
Loss before taxation		(44,670)	(4,333)
Taxation credit/(charge)	4	5	(1,854)
Loss for the period from continuing operations		(44,665)	(6,187)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation		—	(56,637)
Net loss for the period attributable to equity holders of the Company		(44,665)	(62,824)
Dividend	5	—	249,075
Loss per share (cents)			
— from continuing and discontinued operations	6	(3.407)	(4.792)
— from continuing operations	6	(3.407)	(0.472)



CONSOLIDATED BALANCE SHEET

As at 30 September 2006

	Note	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Non-current assets			
Property, plant and equipment		699,336	708,555
Investment property		16,500	20,000
Intangible assets		1,793,458	1,787,080
Goodwill		269,293	264,430
Investments in club debentures		1,350	1,350
Amount due from a related company		255,681	257,103
Deposit for acquisition of a subsidiary		—	70,000
Deposit for acquisition of an investment property		—	4,000
		3,035,618	3,112,518
Current assets			
Trade and other receivables, deposits and prepayments	7	259,844	176,528
Amount due from a related company		12,321	14,131
Cash and bank balances		30,731	20,404
		302,896	211,063
Current liabilities			
Other payables, deposits received and accrued charges	8	42,881	40,151
Amounts due to related companies		24,887	10,208
Dividend payable		1,175	1,427
Current portion of obligations under finance lease		232	342
Current portion of bank loans	9	38,810	35,373
		107,985	87,501
Net current assets		194,911	123,562
Total assets less current liabilities		3,230,529	3,236,080

CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30 September 2006

	Note	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Equity			
Share capital	10	131,092	131,092
Reserves		1,098,015	1,128,511
Total equity		1,229,107	1,259,603
Non-current liabilities			
Obligations under finance lease		—	58
Bank loans	9	1,959,219	1,950,795
Other loans		42,203	25,619
Deferred taxation		—	5
		2,001,422	1,976,477
		3,230,529	3,236,080



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(4,699)	(162,246)
Net cash inflow from investing activities	73,255	154,772
Net cash outflow from financing activities	(58,412)	(8,094)
Increase/(decrease) in cash and cash equivalents	10,144	(15,568)
Effect of foreign exchange rate changes	183	—
Cash and cash equivalents at beginning of period	20,404	36,944
Cash and cash equivalents at end of period	30,731	21,376
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	30,731	21,376

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Unaudited						
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	131,092	57,556	129	12,156	10,674	1,047,996	1,259,603
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	14,169	—	14,169
Loss for the period	—	—	—	—	—	(44,665)	(44,665)
Total recognised income and expense for the period	—	—	—	—	14,169	(44,665)	(30,496)
At 30 September 2006	131,092	57,556	129	12,156	24,843	1,003,331	1,229,107

	Unaudited						
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	131,092	57,556	129	14,959	—	1,405,948	1,609,684
Loss for the period	—	—	—	—	—	(62,824)	(62,824)
Dividend paid	—	—	—	—	—	(249,075)	(249,075)
At 30 September 2005	131,092	57,556	129	14,959	—	1,094,049	1,297,785



NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006, with addition for the following amendments to standards and interpretations which are relevant to the Group’s operation and are mandatory for financial year ending 31 March 2007:

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates–Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

These amendments to standards and interpretations had no material effect on the Group’s accounting policies.

The following new standards, amendments to standards and interpretations are relevant to the operation but are not effective for 2006 and have not been early adopted:

HKFRS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 8	Scope of HKFRS2

The Group anticipates that the adoption of the above new standards, amendments to standards and interpretations will not result in substantial changes to the Group’s accounting policies except that there will be additional disclosures required by HKFRS 1 (Amendment) and HKFRS 7.



2. REVENUES AND TURNOVER

The Group is principally engaged in property investment, hotel operation, investment holding and toll road operation. Revenues recognised during the period are as follows:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Turnover		
Toll road income	79,179	—
Hotel operations	40,539	37,672
Rental income	135	450
	119,853	38,122
Other revenues		
Interest income		
— bank and other advances	1,442	3,067
— from discontinued operation	—	6,616
Subsidy income	2,168	—
Unclaimed dividend written back	237	—
Management fee and other income from discontinued operation	—	7,652
Other income	1,190	44
	5,037	17,379
Total revenues	124,890	55,501

(a) Primary reporting format - business segments

The Group is organised into three main business segments:

- Toll road operation
- Hotel operation
- Property rental

There are no sales or other transactions between the business segments.



2. REVENUES AND TURNOVER (Continued)

(a) Primary reporting format - business segments (Continued)

For the six months ended 30 September 2006 (Unaudited)

	Toll road operation HK\$'000	Hotel operation HK\$'000	Property rental HK\$'000	Consolidated HK\$'000
Turnover	79,179	40,539	135	119,853
Segment results	20,221	10,170	(3,692)	26,699
Unallocated corporate expenses (net)				(14,196)
				12,503
Interest income				1,442
Finance costs				(58,615)
Loss before taxation				(44,670)
Taxation credit				5
Loss for the period				(44,665)

For the six months ended 30 September 2005 (Unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Toll road operation HK\$'000	Hotel operation HK\$'000	Property rental HK\$'000	Property rental HK\$'000	
Turnover	—	37,672	450	43,462	81,584
Segment results	—	9,154	412	(19,063)*	(9,497)
Unallocated corporate expenses (net)					(17,299)
					(26,796)
Interest income					3,693
Finance costs					(40,468)
Share of results of a jointly controlled entity	(1,053)	—	—	—	(1,053)
Increase in fair value of investment properties					1,475
Loss before taxation					(63,149)
Taxation credit					325
Loss for the period					(62,824)

* Cost on disposal of discontinued operation amounted to approximately HK\$49,030,000 was included in segment result of discontinued operation.

2. REVENUES AND TURNOVER (Continued)

(b) Secondary reporting format – geographical segment

The following is an analysis of the Group's turnover, analysed by the geographical market:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
From continuing operations		
Hong Kong	40,674	38,122
People's Republic of China	79,179	—
	119,853	38,122
From discontinued operation		
Hong Kong	—	43,462
	119,853	81,584

3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Staff costs	17,504	9,888
Depreciation of property, plant and equipment	10,658	9,475
Amortisation of intangible assets	25,937	583



4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the period. Overseas taxation is provided for the overseas operations in accordance with the tax laws of the countries in which the entities operate.

The amount of taxation credited/(charged) to the consolidated income statement represents:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Hong Kong profits tax	—	1,033
Deferred tax	5	(2,887)
Taxation credit/(charge)	5	(1,854)

5. DIVIDEND

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Dividend paid, Nil per share (2005 : HK\$0.19)	—	249,075

6. LOSS PER SHARE

The calculation of the basic loss per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Losses		
Loss for the purpose of the calculation of basic loss per share		
Continuing operations	(44,665)	(6,187)
Discontinued operation	—	(56,637)
	(44,665)	(62,824)
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic loss per share	1,310,925,244	1,310,925,244

No diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 30 September 2006.

For the period ended 30 September 2005, diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.



7. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Trade receivables	4,179	21,496
Loan receivables	34,000	34,000
Other receivables	31,705	33,752
Deposits and prepayments	189,960	87,280
	259,844	176,528

- (a) The Group allows an average credit period of one month to its trade customers. All the trade receivables are expected to be recovered within one year, the trade receivables are all net of impairment loss for bad and doubtful debts. The following is an ageing analysis of trade receivables at the balance sheet date:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Within 30 days	4,179	14,724
31 — 60 days	—	5,890
61 — 90 days	—	882
	4,179	21,496

8. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in the other payables, deposits received and accrued charges are rental deposits, accruals and interest payable.

9. BANK LOANS

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
At 30 September 2006, the Group's bank loans are secured and repayable as follows:		
Within one year	38,810	35,373
In the second year	82,582	54,025
In the third year	107,033	99,015
In the fourth year	180,032	132,060
In the fifth year	204,836	201,029
After five years	1,384,736	1,464,666
	1,998,029	1,986,168
Less: Amount due for settlement within 12 months (shown under current liabilities)	(38,810)	(35,373)
Amount due for settlement after 12 months	1,959,219	1,950,795

At 30 September 2006, bank loans are secured by the hotel property, investment property and the operating right of the Ningbo Beilun Port Expressway and corporate guarantees from the Group and a related company.

The bank borrowings carry a variable interest rate with reference to the Hong Kong Dollar Prime Lending Rate and lending rates quoted by Bank of China Limited.

10. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
Authorised:		
At 1 April 2006 and 30 September 2006	2,000,000,000	200,000
Issued and fully paid:		
At 1 April 2006 and 30 September 2006	1,310,925,244	131,092



11. RELATED PARTY TRANSACTIONS

In opinion of the directors of the Company (the "Directors"), the ultimate controlling party of the Group is Mexan Group Limited which is incorporated in the British Virgin Islands.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

- (a) During the period and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group:

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Rental expenses (i)	960	960
Management fee (ii)	6,073	—

- (i) The Group rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2003 at a HK\$160,000 per month from Mexan International Limited ("MIL"). On 18 September 2006, the Group entered into a new tenancy agreement with MIL to extend the lease arrangement for a three-year period to 30 September 2009. MIL is beneficially owned as to approximately 95% by Mr. Lau Kan Shan, an executive director, chairman and controlling shareholder of the Company.
- (ii) Ningbo Beilun Port Expressway Company Limited ("Beilun Company"), the Company's subsidiary and Shanghai Mexan Enterprise Development (Group) Company Limited ("Shanghai Mexan") entered into a toll road management agreement and a supplemental agreement whereby Beilun Company contracted with Shanghai Mexan for the latter company to manage the operations of the Ningbo Beilun Port Expressway for a total sum of RMB300 million for a period of 24 years commencing 1 July 2004 with an annual management fee of RMB12,500,000. Beilun Company has a right to terminate the contract by giving a 6-month written notice to Shanghai Mexan.

11. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Under the contract, Shanghai Mexan is obligated to manage the toll collection, request monthly statement from Zhejiang Expressway Clearance Centre, manage the daily maintenance of the toll road and communicate to the relevant government authorities on behalf of Beilun Company.

Shanghai Mexan is beneficially owned as to approximately 74.7% by Mr. Lau Kan Shan, an executive director, chairman and controlling shareholder of the Company.

- (b) In connection with management contract as disclosed in note (a)(ii) above, Beilun Company has made prepayments of management fees to Shanghai Mexan. In case Beilun Company exercises its right to early terminate the management contracts, Shanghai Mexan will repay Beilun Company the remaining balance of the prepaid management fees.

12. SUBSEQUENT EVENT

On 11 December 2006, the Group entered into a provisional sale and purchase agreement with a third party for the disposal of its investment property for a consideration of HK\$16,500,000.

13. COMPARATIVE FIGURES

Inter company interest income and management fee and other income of HK\$6,616,000 and HK\$7,652,000 respectively received during the six months ended 30 September 2005 from the subsidiary disposed of are included in other revenue under continuing operations. The corresponding costs are included in loss for the period from discontinued operation. These income and costs were eliminated in the consolidated income statement in the prior period.



DIVIDEND

The Board resolved not to declare a dividend for the six months ended 30 September 2006 (2005: HK\$0.19).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Turnover of the Group recorded for the six months ended 30 September 2006 amounted to approximately HK\$120 million, representing a significant increase of 214% compared to the same period last year. The increase in turnover was mainly generated from the operation of Ningbo Beilun Port Expressway. Ningbo Beilun Port Expressway Company Limited ("Beilun Company") became a wholly-owned subsidiary of the Company since December 2005, and contributed approximately HK\$79 million to turnover for the period under review (2005: Nil).

The Group recorded a loss of approximately HK\$45 million for the six months ended 30 September 2006 compared to a loss of approximately HK\$63 million in the corresponding period in 2005. The loss was decreased by approximately 29%. The results for the period under review were mainly affected by an increase in finance costs. The interest expenses recorded from Beilun Company for the six months ended 30 September 2006 amounted to approximately HK\$46 million, and the interest rate for the Hong Kong dollars ("HKD") denominated borrowings was increased when compared with the same period last year.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2006, the Group's total borrowings amounted to approximately HK\$2,040 million (31 March 2006: approximately HK\$2,012 million). The increase of the Group's total borrowings was mainly due to the appreciation of Renminbi ("RMB") denominated loan. As at 30 September 2006, cash and bank balances amounted to approximately HK\$31 million (31 March 2006: approximately HK\$20 million), and cash deposited with a securities firm of approximately HK\$83 million (31 March 2006: approximately HK\$82 million). The Group's net assets as at 30 September 2006 amounted to approximately HK\$1,229 million (31 March 2006: approximately HK\$1,260 million).



Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 166% as at 30 September 2006 compared to approximately 160% as at 31 March 2006.

Of the Group's total borrowings as at 30 September 2006, approximately HK\$39 million (2%) would be due within one year, approximately HK\$82 million (4%) would be due in more than one year but not exceeding two years, approximately HK\$534 million (26%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$1,385 million (68%) would be due in more than five years.

The borrowings of the Company were only denominated in HKD and RMB. Approximately HK\$1,589 million (78%) was denominated in RMB and approximately HK\$451 million (22%) was denominated in HKD. An amount of approximately HK\$42 million out of the total borrowings bears a fixed interest rate.

The above borrowings, including bank and other borrowings, were secured by the hotel property, investment property, the operating right of Ningbo Beilun Port Expressway and corporate guarantees from the Group and a related company.

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in the currency tied in with the Group's businesses in the countries of the currencies concerned and the borrowings were balanced by assets in the same currencies. As at 30 September 2006, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.



BUSINESS REVIEW AND OUTLOOK

Since the acquisition of the remaining 55.1% equity interest in Beilun Company in December 2005, Beilun Company, the owner of the operating right of Ningbo Beilun Port Expressway, contributed significant amount of turnover for the six months ended 30 September 2006. Beilun Company generated profit before the deduction of interest expenses. However, Beilun Company is maintaining high level of debt and incurring substantial amount of interest expenses, which resulted in recording loss after interest expenses.

Mexan Harbour Hotel, a 800-room three-star standard hotel in Tsing Yi, maintained an average occupancy rate of approximately 86% for the period under review, and the turnover was increased by approximately 8% when compared with the same period for last year. In order to enhance the attractiveness of Hong Kong, many new tourist attractions will continue to be rolled out; such as the Ocean Park redevelopment project and the development of new cruise terminal facilities at the former Kai Tak runway. The opening of AsiaWorld-Expo in December 2005 attracts more international business visitors from conventions and exhibition market to Hong Kong. We anticipate that those new tourist attractions and international conventions and exhibitions would stimulate keen demands in hotel rooms. Benefited from its strategic location of high accessibility to the Hong Kong International Airport, AsiaWorld-Expo and Hong Kong Disneyland, Mexan Harbour Hotel is well-positioned to generate higher revenue to the Group in future.

Since Mexan Harbour Hotel has commenced its operation in December 2004, the Board anticipates that it may have to incur certain cash outlay next year for a thorough maintenance in order to maintain its competitive edge.

Looking forward, the Group will focus to generate growth in the existing businesses.



EMPLOYEE INFORMATION

As at 30 September 2006, the total number of employees of the Group was approximately 287 (31 March 2006: 178). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodic basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

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

During the six months ended 30 September 2006, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

SHARE OPTION SCHEME

On 27 September 2004, the Company adopted a new share option scheme (the "New Scheme") which is in compliance with Chapter 17 of the Listing Rules. No options have been granted under the New Scheme during the period from the date of its adoption up to 30 September 2006.

A summary of the principal terms of the New Scheme has been set out in the 2006 annual report of the Company. The terms of the New Scheme have never been amended since its adoption.



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(1) LONG POSITIONS IN SHARES OF THE COMPANY

Name of Director	No. of shares of HK\$0.10 each held	Capacity and nature of interest	Approximate shareholding percentage (%)
Lau Kan Shan (Note i)	964,548,303 (Note ii)	Interest of controlled corporation	73.58

Notes:

- i. A substantial shareholder of the Company.
- ii. Such shares were held by Mexan Group Limited and Mr. Lau Kan Shan was taken to have an interest in such shares by virtue of the SFO since he was entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Mexan Group Limited.

(2) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATION

Name of associated corporation	Name of Director	No. of shares held of US\$1.00 each	Capacity and nature of interest	Shareholding percentage (%)
Mexan Group Limited	Lau Kan Shan	100	Beneficial owner	100

Save as disclosed above, as at 30 September 2006, none of the Directors or chief executive of the Company or any of their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which are required to be recorded in the register kept 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed in the paragraph headed "SHARE OPTION SCHEME" above, at no time during the six months ended 30 September 2006 was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.



SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the persons, other than the Directors or chief executive of the Company, who had any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Long/Short position	No. of shares of HK\$0.10 each held	Capacity and nature of interest	Approximate Shareholding percentage (%)
Mexan Group Limited	Long	964,548,303 (Note i)	Beneficial owner	73.58
Xia He Na (Note ii)	Long	964,548,303 (Note ii)	Interest of spouse	73.58

Notes:

- i. Mr. Lau Kan Shan is deemed to be interested in the 964,548,303 shares of the Company held by Mexan Group Limited as Mr. Lau Kan Shan is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Mexan Group Limited.
- ii. Ms. Xia He Na (formerly known as Ms. Ha Ming Kuen), the spouse of Mr. Lau Kan Shan, is deemed to be interested in Mr. Lau's shares which represented the same parcel of shares of the Company as held by Mexan Group Limited.

Save as disclosed above, as at 30 September 2006, none of the substantial shareholder or other persons, other than the Directors or chief executive of the Company, had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2006 except for the following deviations:

Under the code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. An independent non-executive Director was not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

Under the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, according to Bye-laws of the Company, the Chairman and Managing Director are not subject to retirement by rotation or taken into account on determining the number of directors to retire. This constitutes a deviation from code provision A.4.2 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders as a whole.

Under the code provisions B.1.4 and C.3.4 of the CG Code, the terms of reference of both Remuneration Committee and Audit Committee are required to be made available on request and included on the issuer's website. At present, the Company does not maintain a website. However, the terms of reference of the Remuneration Committee and Audit Committee are available on request.

Under the code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Lau Kan Shan, the chairman of the Board, has not attended the annual general meeting of the Company held on 25 August 2006 due to other business engagement.

AUDIT COMMITTEE

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises Mr. Chan Wai Dune, Mr. Lau Wai, and Mr. Tong Kwai Lai, all of them are independent non-executive Directors. The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 September 2006 and discussed with the management the accounting principles and practices and internal control of the Group.



REMUNERATION COMMITTEE

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises three members, a majority of whom are independent non-executive Directors. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period.

APPRECIATION

We would like to thank all of our customers, suppliers, business associates and bankers for their continued support and all members of our management and staff for their dedicated work and effort during the period under review.

By Order of the Board

Lau Kan Shan

Chairman

Hong Kong, 15 December 2006

As at the date of this interim report, the executive Directors are Mr. Lau Kan Shan, Mr. Tse On Kin and Ms. Ching Yung. The independent non-executive Directors are Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai.