


STARLITE


升岡國際有限公司
Starlight International Holdings Ltd
(Incorporated in Bermuda with Limited Liability)

INTERIM 2006/07
REPORT

Stock Code: 485



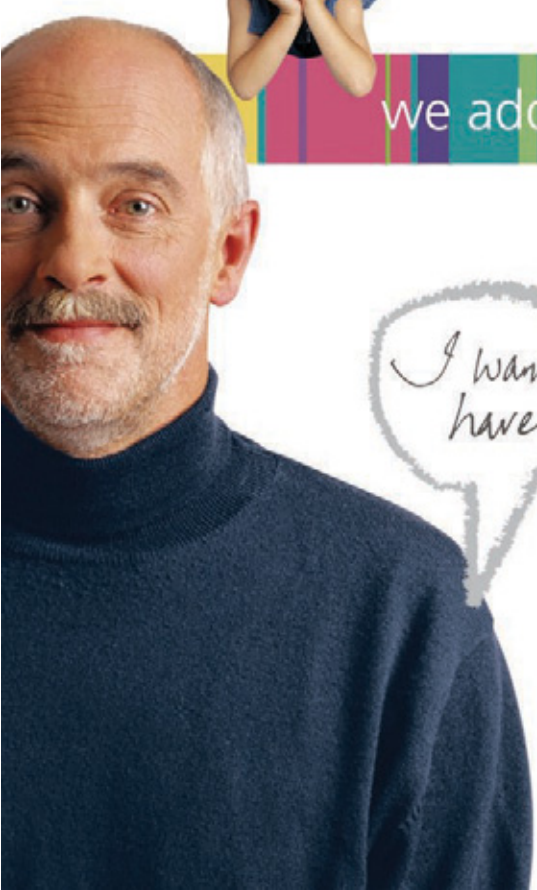
I wanna
watch it




I wanna
listen to it



we add ***STARLITE*** to life



I wanna
have it



I wanna
play it



Any age



our mission

In striving to become a world leader in the consumer electronics arena, we pledge to serve customers with innovation and quality services, operate an efficient organization to create value for all stakeholders and honour our responsibilities as a good global corporate citizen.

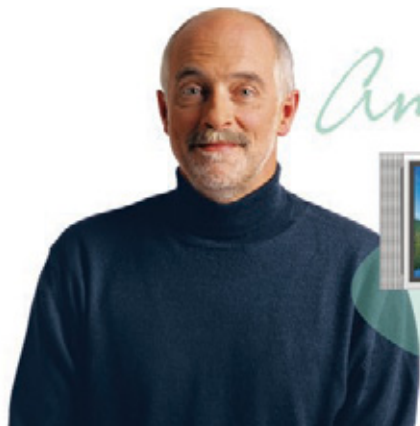


Anywhere



Anytime

Any style



CONTENTS

1	Corporate Information
2	Interim Results
2	Condensed Consolidated Income Statement
3	Condensed Consolidated Balance Sheet
5	Condensed Statement of Changes in Equity
6	Condensed Consolidated Cash Flow Statement
7	Notes to the Financial Statements
12	Closing of Register of Members
12	Business Review
13	Prospects
13	Financial Position
14	Staff
14	Purchase, Sale or Redemption of Listed Securities
15	Directors' Interest and Short Positions in Shares, Underlying Shares and Debentures of the Company
16	Directors' Right to Acquire Shares
16	Substantial Shareholders
17	Corporate Governance
17	Directors' Securities Transactions
17	Audit Committee
17	Board of Directors

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Lau Sak Hong, Philip
Lau Sak Kai, Anthony
Lau Sak Yuk, Andy

Non-executive Director:

Hon Sheung Tin, Peter

Independent Non-executive Directors:

Ho Hau Chong, Norman
Chan Chak Chung
Chuck Winston Calptor

SECRETARY

Peter Lee Yip Wah

QUALIFIED ACCOUNTANT

Chan Po Chung, Norman

AUDITORS

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

Ho Hau Chong, Norman
Hon Sheung Tin, Peter
Chan Chak Chung

REMUNERATION COMMITTEE

Hon Sheung Tin, Peter
Chan Chak Chung
Winston Calptor Chuck

PRINCIPAL BANKERS

The Hongkong and
Shanghai Banking Corporation
Standard Chartered Bank
Hang Seng Bank Limited
Industrial and Commercial Bank of China
(Asia) Limited

SOLICITORS

Hon & Company

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2580 1888

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE

5th Floor, Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong
Tel: (852) 2554 6303
Fax: (852) 2873 0230
email: starlite@starlight.com.hk
website: www.starlight.com.hk

STOCK CODE

The Stock Exchange of Hong Kong Limited:
485

INTERIM RESULTS

The Board of Directors of Starlight International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated financial statement of the Company and its subsidiaries (the "Group") for the period ended 30 September 2006 together with the comparative figures for 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

		01.04.2006 to 30.09.2006	01.04.2005 to 30.09.2005
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	2	1,479,301	836,532
Cost of sales		(1,197,811)	(721,129)
Gross profit		281,490	115,403
Other income	3	10,978	13,508
Distribution costs		(131,446)	(33,282)
Administration expenses		(59,688)	(39,235)
Share of profits/(loss) of associates		1,089	(3)
Finance costs		(5,807)	(2,144)
Profit before taxation		96,616	54,247
Taxation	5	(11,157)	(2,751)
Net profit for the period		85,459	51,496
Attributable to:			
Shareholders of the Company		81,906	51,029
Minority interests		3,553	467
		85,459	51,496
Earnings per share			
– Basic	6	10.8 cents	6.7 cents
– Diluted	6	10.4 cents	6.5 cents
Interim Dividend per share	7	4.5 cents	3.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2006

		At 30.9.2006 <i>HK\$'000</i> (Unaudited)	At 31.3.2006 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		76,500	76,500
Property, plant and equipment	8	308,760	294,734
Prepaid lease payments		4,257	4,257
Product development costs		1,300	1,300
Goodwill		40,674	9,149
Interest in associates		9,791	1,701
Available-for-sale investments		24,099	24,099
Deferred tax assets		1,929	1,929
Deposit for acquisition of subsidiaries		–	15,537
		<hr/> 467,310 <hr/>	<hr/> 429,206 <hr/>
Current assets			
Inventories		544,149	376,034
Properties for sale		1,453	1,453
Debtors, deposits and prepayments	9	766,706	293,323
Prepaid lease payments		121	121
Amounts due from associates		2,800	2,940
Taxation recoverable		2,490	2,089
Available-for-sale investments		2,489	150
Investments held for trading		26,566	27,767
Derivative financial instruments		20,895	4,659
Bank balances and cash		153,059	81,745
		<hr/> 1,520,728 <hr/>	<hr/> 790,281 <hr/>

		At 30.9.2006 <i>HK\$'000</i> (Unaudited)	At 31.3.2006 <i>HK\$'000</i> (Audited)
Current liabilities			
Creditors and accrued charges	10	636,636	252,391
Amount due to an associate		2,809	2,809
Derivative financial instruments		601	454
Taxation payable		31,094	4,478
Borrowings – amount due within one year		515,175	220,792
Bank overdrafts		3,538	2,311
		1,189,853	483,235
Net current assets		330,875	307,046
Total assets less current liabilities		798,185	736,252
Non-current liabilities			
Deferred tax liabilities		4,488	7,558
		793,697	728,694
Capital and reserves			
Share capital	11	303,128	304,352
Share premium and reserves		483,208	422,825
Equity attributable to shareholders		786,336	727,177
Minority interests		7,361	1,517
Total equity		793,697	728,694

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Goodwill reserve	Investment revaluation reserve	Other property revaluation reserve	Translation reserve	Share option reserve	Capital redemption reserve	Accumulated profits	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group												
At 31 March 2005	305,043	83,782	37,138	(3,688)	-	1,682	10,126	-	47,812	199,919	1,553	683,367
Exchange difference arising on translation of operation outside Hong Kong not recognised in consolidated income statement	-	-	-	-	-	-	1,499	-	-	-	-	1,499
Repurchase of shares	(1,754)	-	-	-	-	-	-	-	-	-	-	(1,754)
Capital redemption reserves arising from repurchase of shares	-	-	-	-	-	-	-	-	1,754	(1,754)	-	-
Premium on repurchase of shares	-	-	-	-	-	-	-	-	-	(942)	-	(942)
Net profit for the period	-	-	-	-	-	-	-	-	-	51,029	467	51,496
Dividend paid	-	-	-	-	-	-	-	-	-	(15,171)	-	(15,171)
At 30 September 2005	303,289	83,782	37,138	(3,688)	-	1,682	11,625	-	49,566	233,081	2,020	718,495
Decrease in fair value of available-for-sale investment	-	-	-	-	(35)	-	-	-	-	-	-	(35)
Exchange difference arising on translation of operation outside Hong Kong not recognised in consolidated income statement	-	-	-	-	-	-	583	-	-	-	-	583
Issue of shares upon exercise of share options	1,800	405	-	-	-	-	-	-	-	-	-	2,205
Recognition of equity settled share based payments	-	-	-	-	-	-	-	3,392	-	-	-	3,392
Increase in fair value of leasehold properties transfer to investment properties	-	-	-	-	-	325	-	-	-	-	-	325
Repurchase of shares	(737)	-	-	-	-	-	-	-	-	-	-	(737)
Capital redemption reserves arising from repurchase of shares	-	-	-	-	-	-	-	-	737	(737)	-	-
Premium on repurchase of shares	-	-	-	-	-	-	-	-	-	(344)	-	(344)
Net profit for the period	-	-	-	-	-	-	-	-	-	28,112	(503)	27,609
Dividend paid	-	-	-	-	-	-	-	-	-	(22,799)	-	(22,799)
At 31 March 2006	304,352	84,187	37,138	(3,688)	(35)	2,007	12,208	3,392	50,303	237,313	1,517	728,694
Repurchase of shares	(1,224)	-	-	-	-	-	-	-	-	-	-	(1,224)
Exchange difference arising on translation of operation outside Hong Kong not recognised in consolidated income statement	-	-	-	-	-	-	3,467	-	-	-	-	3,467
Capital redemption reserve arising from repurchase of shares	-	-	-	-	-	-	-	-	1,224	(1,224)	-	-
Premium on repurchase of shares	-	-	-	-	-	-	-	-	-	(2,255)	-	(2,255)
Profit for the period	-	-	-	-	-	-	-	-	-	81,906	5,844	87,750
Dividend paid	-	-	-	-	-	-	-	-	-	(22,735)	-	(22,735)
At 30 September 2006	303,128	84,187	37,138	(3,688)	(35)	2,007	15,675	3,392	51,527	293,005	7,361	793,697

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

	Six months ended	
	30.9.2006	30.9.2005
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net Cash used in Operating Activities	(137,568)	(124,215)
Net Cash used in Investing Activities	(60,514)	(21,482)
Net Cash inflow from Financing Activities	268,169	184,615
Net Increase in Cash and Cash Equivalents	70,087	38,918
Cash and Cash Equivalents at 1 April	79,434	57,551
Cash and Cash Equivalents at 30 September	149,521	96,469
Analysis of balances of Cash and Cash equivalents		
Bank balances and cash	153,059	97,270
Bank overdrafts	(3,538)	(801)
	149,521	96,469

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated 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.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2006.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006, except that the Group has adopted certain amendments to standards and interpretations which are effective for accounting periods commencing on or after 1 January 2006.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below.

In the current period, the Group adopted the following amendments to standards and interpretations which are effective for accounting periods beginning on or after 1 January 2006 and which are relevant to its operations. The adoption of these amendments to standards and interpretations had no material effect on the results and financial position for the current or prior accounting period as prepared and presented. Accordingly, no prior year adjustment has been required.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS – Int 4	Determining whether an Arrangement contains a Lease

The Group has not early adopted the following new standard, amendment to standard and interpretations that have been issued but are not yet effective in these condensed consolidated financial statements:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives

2. SEGMENT INFORMATION

Business segments

The Group is currently organised into three operating divisions – design, manufacture and sale of electronic products, securities trading and property development. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Six months ended 30 September 2006

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>1,458,734</u>	<u>20,567</u>	<u>–</u>	<u>1,479,301</u>
SEGMENT RESULT	<u>100,041</u>	<u>607</u>	<u>–</u>	<u>100,648</u>
Interest income				686
Share of profit of associates				1,089
Finance costs				<u>(5,807)</u>
Profit before tax				96,616
Taxation				<u>(11,157)</u>
Profit for the period				<u>85,459</u>

Six months ended 30 September 2005

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE	<u>826,208</u>	<u>10,324</u>	<u>–</u>	<u>836,532</u>
SEGMENT RESULT	<u>55,958</u>	<u>1,088</u>	<u>(143)</u>	56,903
Interest income				236
Unallocated corporate expenses				(745)
Share of loss of associates				(3)
Finance costs				<u>(2,144)</u>
Profit before tax				54,247
Taxation				<u>(2,751)</u>
Profit for the period				<u>51,496</u>

3. OTHER INCOME

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Other income includes the follows:		
Loss on disposal of fixed assets	(4)	(2,468)
Unrealised holding (loss)/gain on investments	(2,033)	758
Impairment loss recognised in respect of investment securities	-	(52)

4. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortization of approximately HK\$26,106,000 (HK\$18,504,000 for the six months ended 30 September 2005) was charged to the consolidated income statement in respect of the Group's property, plant and equipment and product development costs.

5. TAXATION

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current	4,400	1,505
Taxation in other jurisdictions	6,757	1,246
Taxation attributable to the Company and its subsidiaries	<u>11,157</u>	<u>2,751</u>

Hong Kong Profits Tax is calculated at 17.5% (2005:17.5%) of the estimated assessable profit for the period.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is computed based on the following data:

	Six months ended 30 September	
	2006	2005
Net profit for the period and profit for the purpose of basic and diluted earnings per share	<u>HK\$81,906,000</u>	<u>HK\$51,029,000</u>
Weighted average number of shares for the purpose of basic earnings per share	758,361,559	759,626,011
Effect of dilutive potential ordinary shares for the purpose of dilutive earnings per share – Share option	<u>33,068,091</u>	<u>31,767,657</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>791,429,650</u>	<u>791,393,668</u>

7. INTERIM DIVIDEND

The directors have declared an interim dividend of HK4.50 cents per share for the year ending 31 March 2007 (Year ended 31 March 2006: HK3.00 cents) payable to the shareholders of the Company whose names appear in the register of members on 19 January 2007.

8. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Net book value at beginning of year	294,734	297,157
Transfer to prepaid lease on reclassifications	–	(5,094)
Currency realignment	2	2
Additions	40,254	28,020
Disposal	(352)	(42,306)
Depreciation	(26,106)	(18,331)
Depreciation write back on disposal	228	33,810
	308,760	293,258

9. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2006, debtors, deposits and prepayments included trade debtors of HK\$702,405,000 (31 March 2006: HK\$252,264,000). The Group provides credit periods of up to 90 days, depending on the products sold, to its trade customers. The following is an aged analysis of accounts receivable at the reporting date:

	30/9/2006	31/3/2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	569,700	194,355
31 – 60 days	63,157	21,267
61 – 90 days	31,641	10,560
Over 90 days	37,907	26,082
	702,405	252,264

10. CREDITORS AND ACCRUED CHARGES

At 30 September 2006, creditors and accrued charges included trade creditors of HK\$389,575,000 (31 March 2006: HK\$211,357,000). The aged analysis of trade creditors at the balance date is as follows:

	30/9/2006	31/3/2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 – 30 days	336,026	94,875
31 – 60 days	34,768	44,773
61 – 90 days	13,781	23,796
Over 90 days	5,000	47,913
	389,575	211,357

11. SHARE CAPITAL

	Number of shares	Issued and Fully paid Share capital <i>HK\$'000</i>
Balance at 1 April 2006	760,880,614	304,352
Repurchase of shares	<u>(3,060,000)</u>	<u>(1,224)</u>
Balance at 30 September 2006	<u>757,820,614</u>	<u>303,128</u>

The Company repurchased its own shares on the Stock Exchange as follows:

Month	Number of Shares	Price per share		Aggregate Consideration <i>HK\$</i>
		Lowest <i>HK\$</i>	Highest <i>HK\$</i>	
May 2006	765,000	1.11	1.13	856,650
June 2006	<u>2,295,000</u>	1.11	1.16	<u>2,621,850</u>
	<u>3,060,000</u>			<u>3,478,500</u>

12. CAPITAL COMMITMENTS

	30/9/2006 <i>HK\$'000</i>	31/3/2006 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements		
– property, plant and equipment	<u>3,941</u>	<u>3,104</u>
Capital expenditure contracted for but not provided in the financial statements		
– acquisition of subsidiaries	<u>–</u>	<u>7,769</u>

13. CONTINGENT LIABILITIES

As at 30 September 2006 the Group had contingent liabilities for bills discounted with recourse of nil (31 March 2006: HK\$ Nil).

14. RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group at any time during the six-months period.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 16 January 2007 to Friday, 19 January 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the interim dividend, all outstanding transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrars, Secretaries Limited, not later than 4:00 p.m. on Monday, 15 January 2007. The address is 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Dividend warrants will be dispatched to shareholders on Thursday, 25 January 2007.

BUSINESS REVIEW

Group Results

The Board of directors have pleasure to report that the Group achieved a very encouraging interim results, both in turnover and profit attributable to shareholders during the period.

For the six months ended 30 September 2006, the Group recorded a turnover of HK\$1.48 billion, against HK\$837 million for the corresponding period last year, an increase of 77%. Profit attributable to shareholders increased by 60.5% to HK\$81,906,000 compared to HK\$51,029,000 for the corresponding period last year.

Electronics Division

During the period under review, The Group's core business, Electronics Division, recorded sales of HK\$1.46 billion, against HK\$826 million for the corresponding period last year, an increase of 77%. The factors attributed to the substantial increase in sales include:

- Strong demand of video products which include portable TFT DVD players, TV DVD combo units;
- Replacing low value audio products with high value added MP3 products;
- Introduction of a new "Youth Electronics" products line to the youth market;
- Increase our profile as a major manufacturer and the success of our strategy of selling directly to key buyers in North America and in Europe;
- Contribution from Singing Machine Company, Inc. our newly acquired subsidiary in the United States for sales of HK\$111 million.

The Electronics Division returned segment profit before interest, taxation and minority interest of HK\$100,041,000 to shareholders during this six months, an increase of 78.8% compared with HK\$55,958,000 for the same period last year. The higher profit was a result of:

- Strong sales performance
- Replacing OEM business, which had a lower profit margin with higher profit margin products such as video and youth electronics.

- Selling direct to the key customers which enabled us to achieve a better gross margin by eliminating middle persons.
- Consolidating pro-rated net profit after tax from Singing Machine Company, Inc for an amount of HK\$3.3 million.

Distribution costs, which include payments of royalties, sales commissions, warehousing and freight increased significantly compared with the corresponding period in last year. As a percentage of sales, distribution costs increased from 3.9% to 8.9%. The main increase was due to the concentration in video sales, which require payments of license fees and royalties to patent holders. By selling direct to key customers, we incurred warehousing costs to provide back up to our customers' "just-in-time" purchasing policy.

Administrative expenses increased by approximately 20% (excluding HK\$12.6 million for Singing Machine Company, Inc., its accounts were the first time to be consolidated) which were mainly incurred to strengthen the marketing team.

Securities Trading

The Division recorded a turnover of HK\$20.6 million and a segment contribution of 0.6 million during the period.

Property Development

No transaction recorded during the period.

PROSPECTS

The Board of directors is optimistic and expects strong performance to continue in the second half of the fiscal year. We believe demands for video products will continue to be strong. Under license, we are launching to make and distribute the Disney products beginning delivery in January 2007. Major retailers in the United States and Canada have committed to purchase many of the items in the new line up, which comprise of four of Disney's most popular franchises. At the January 2007 Consumer Electronics Show in Las Vegas, we have planned to launch two entire new lines of products. These are kitchen electronics and digital photo frames. We have already received very positive feedback from our key customers in these series of audio and video products and we have available capacity to make delivery in January, 2007. We are confident that we will continue to build our business with our current customers and open new accounts and markets in the near future.

FINANCIAL POSITION

Liquidity and Financial Resources

The financial position of the Group remained stable. As at 30 September 2006 cash and deposits and marketable securities amounted to approximately HK\$200,520,000, as compared to approximately HK\$114,171,000 at 31 March 2006.

Gearing ratio, calculated as total bank borrowings to shareholders' fund was 0.66 (31 March 2006: 0.31), and net bank borrowings as a percentage to Shareholders' fund was 0.46 for the period (31 March 2006: 0.19). Current ratio calculated as current assets to current liabilities was 1.28 (31 March 2006: 1.64).

The increase in bank borrowings as at 30 September 2006 was caused by seasonal effect. September is the beginning of peak season and thus accounts receivable increased substantially. Financial position will greatly improve after the collection of the sales proceeds.

Financing and Capital Structure

The Group finances its operations by a combination of retained earnings and bank borrowings.

As at 30 September 2006 total banking facilities granted to the Group amounted to HK\$638 million of which HK\$536 million were utilized. All bank borrowings are denominated in Hong Kong dollars or US dollars at prevailing market interest rate.

Group's transactions were mostly denominated in US dollars and Hong Kong dollars. The exposure to exchange risk was minimal.

Pledge of Assets

As at 30 September 2006, the Group pledged certain assets and securities with carrying value of HK\$57,583,000 (Year ended 31 March 2006: HK\$123,391,000) to secure the general credit facilities and the margin accounts with brokers.

STAFF

As at 30 September 2006, the Group had a total staff of 5,766 of which 5,619 were employed in the PRC for the Group's manufacturing and distribution business.

The Group provides employee benefits such as staff insurance, retirement scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company repurchased its shares on the Stock Exchange as follows:

Month	Number of shares	Price per share		Aggregate Consideration HK\$
		Lowest HK\$	Highest HK\$	
May 2006	765,000	1.11	1.13	856,650
June 2006	2,295,000	1.11	1.16	2,621,850
	<u>3,060,000</u>			<u>3,478,500</u>

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was debited to accumulated profits. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2006, the interests and short positions of the directors and chief executives in the shares of the Company and associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

	Number of shares of the Company held			Total	% of total Issued Shares as at 30.9.2006
	Personal Interest	Corporate Interest	Other Interest		
<i>Executive directors:</i>					
Lau Sak Hong, Philip	75,131,572	3,018,090 (a) 10,100,415 (b)	168,114,050 (c)	256,364,127	33.83%
Lau Sak Kai, Anthony	37,265,929	3,018,090 (a) 10,100,415 (b)	-	50,384,434	6.65%
Lau Sak Yuk, Andy	35,059,107	3,018,090 (a) 10,100,415 (b)	-	48,177,612	6.36%
<i>Non-executive director:</i>					
Hon Sheung Tin, Peter	194,645	-	-	194,645	0.03%
<i>Independent non-executive director:</i>					
Chuck Winston Calptor	770,000	-	-	770,000	0.10%

Notes:

- (a) These shares are held through K.K. Nominees Limited, a company which is beneficially owned by Lau Sak Hong, Philip, Lau Sak Kai, Anthony and Lau Sak Yuk, Andy (hereinafter collectively with other family members referred to as the "Lau family"). Accordingly, Lau family is deemed to be interested in the shares held by K.K. Nominees Limited.
- (b) These shares are held through Wincard Management Services Limited, a company which is beneficially owned by the Lau family. Accordingly, Lau family is deemed to be interested in the shares held by Wincard Management Services Limited.
- (c) These shares are beneficially owned directly or indirectly by Philip Lau Holding Corporation, a company beneficially owned by a discretionary trust, the discretionary objects of which include Lau Sak Hong, Philip and his associate. Accordingly, Lau Sak Hong, Philip is deemed to be interested in the shares held by Philip Lau Holding Corporation.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries as at 30 September 2006, no director or chief executive of the Company held any interest in the securities of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Under the Company's share option scheme which was approved and adopted at the special general meeting of the Company held on 12 September 2002 for a period of 5 years, the directors may grant options to any eligible employees of the Group, including directors, of the Company and its subsidiaries to subscribe for shares in the Company. Options granted are exercisable within a period of five years commencing from the date of grant of the options.

Movements of the options granted pursuant to the Scheme during the period ended 30 September 2006 are as follows:

Name of grantee	Date of grant	Exercise price HK\$	Number of option shares outstanding at 1.4.2006	Number of option shares granted during the period	Number of option shares at 30.9.2006
Employees	2.5.2003	0.40	1,700,500	–	1,700,500
	10.10.2003	0.86	15,144,000	–	15,144,000
	24.8.2004	0.808	3,000,000	–	3,000,000
	2.11.2004	0.814	2,650,000	–	2,650,000
	22.12.2005	0.80	4,910,000	–	4,910,000
	5.1.2006	0.89	19,160,000	–	19,160,000
	16.8.2006	1.15	–	500,000	500,000
			<u>46,564,500</u>	<u>500,000</u>	<u>47,064,500</u>

Notes:

- (1) The above options were granted for an exercise period of five years from the date of grant of the options. The consideration paid by each grantee was HK\$1.
- (2) The closing price of the share of the Company immediately before the date on which the options were granted was HK\$1.14 per share.
- (3) No option was exercised, lapsed or cancelled during the period.

Save as aforesaid, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the following persons, other than the interest disclosed above in respect of the directors, had interest in 5% or more in the shares and underlying shares of the Company, have been notified to the Company and recorded in the register of substantial shareholders' interest in shares and short positions required to be kept under section 336 of Part XV of the SFO:

Name of Shareholders	Number of Ordinary Shares in which interested	% of total issued shares as at 30 September 2006
Cheah Cheng Hye	45,480,000	6.00%
Lee Yu Chiang	42,140,878	5.54%
Value Partners Limited	45,480,000	6.00%

Save as mentioned above and in section of "Directors' Interests in Securities", as at 30 September 2006, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares of the Company.

CORPORATE GOVERNANCE

The Company has met the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in the Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange during the six months period ended 30 September 2006 except as disclosed below.

Pursuant to Code provision A.2.1, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Lau Sak Hong, Philip is currently the chairman and managing director of the Group. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Lau Sak Hong, Philip acting as both the chairman of the Board and the managing director of the Group is acceptable and in the best interest of the Group. The Board will review this situation periodically.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 September 2006.

AUDIT COMMITTEE

The Company has established an audit committee comprising Messrs. Peter Hon Sheung Tin, Norman Ho Hau Chong and Chan Chak Chung. The audit committee together with the management of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2006.

BOARD OF DIRECTORS

As at the date of this report, the Board of Directors comprises three executive directors, namely Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and a non-executive director, namely Mr. Hon Sheung Tin, Peter and three independent non-executive directors namely, Mr. Ho Hau Chong, Norman, Mr. Chan Chak Chung and Mr. Winston Calptor Chuck.

By Order of the Board
Lau Sak Hong, Philip
Chairman

Hong Kong, 19 December 2006