



South East Group Limited

東南國際集團有限公司

(Stock Code : 726)



Interim Report **2006**

RESULTS

The Board of Directors of South East Group Limited (the “Company”) announces the unaudited condensed interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006 together with the comparative figures for the corresponding period in 2005. These interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 September 2006

		For six months ended 30 September	
	Note	2006 HK\$'000	2005 HK\$'000
Turnover	3	2,639	9,348
Cost of sales		(1,790)	(9,075)
Gross profit		849	273
Other revenues		1,350	60
Selling and distribution costs		(845)	(2,022)
Administrative expenses		(5,314)	(5,122)
Other expenses		(2,431)	(141)
Loss from operations	4	(6,391)	(6,952)
Finance costs	5	(134)	—
Loss before taxation		(6,525)	(6,952)
Taxation	6	165	(177)
Loss for the period		(6,360)	(7,129)
Attributable to:			
Equity holders of the Company		(5,249)	(5,763)
Minority interests		(1,111)	(1,366)
		(6,360)	(7,129)
Interim dividend per share		Nil	Nil
Loss per share (HK cents)	7	(1.59)	(1.74)

The notes on pages 5 to 13 form an integral part of these condensed interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2006

	Note	30 September 2006 (unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
Non-current assets			
Property, plant and equipment			
— Other property, plant and equipment		9,475	10,768
— Interests in leasehold land held for own use under operating lease		2,059	2,085
		11,534	12,853
Available-for-sale investments		964	964
Interest in a jointly controlled entity		—	36,909
Properties under development		—	24,133
		12,498	74,859
Current assets			
Properties under development		13,010	—
Non-current assets held for sale	8	42,347	—
Inventories		8,371	8,593
Trade and other receivables	9	18,151	10,125
Tax recoverable		338	—
Cash and cash equivalents		9,742	10,530
		91,959	29,248
Current liabilities			
Trade and other payables	10	34,917	28,469
Bank loan, secured		4,560	4,560
Amount due to a director	11	4,639	4,408
		44,116	37,437
Net current assets/(liabilities)		47,843	(8,189)
Net assets		60,341	66,670
Capital and reserves			
Share capital	12	33,057	33,057
Reserves		27,204	32,422
Shareholders' funds		60,261	65,479
Minority interests		80	1,191
		60,341	66,670

The notes on pages 5 to 13 form an integral part of these condensed interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2006

	Share capital	Share premium	Contributed surplus account	Exchange reserve	Employee share-based repayment reserve	Accumulated losses	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2006	33,057	10,000	131,166	1,411	427	(110,582)	—	65,479
Balance at 1 April 2006 as separately reported as minority interest	—	—	—	—	—	—	1,191	1,191
Translation difference	—	—	—	31	—	—	—	31
Loss for the period	—	—	—	—	—	(5,249)	(1,111)	(6,360)
Balance at 30 September 2006	<u>33,057</u>	<u>10,000</u>	<u>131,166</u>	<u>1,442</u>	<u>427</u>	<u>(115,831)</u>	<u>80</u>	<u>60,341</u>
Balance at 1 April 2005	33,057	10,000	131,166	195	—	(89,818)	—	84,600
Balance at 1 April 2005 as separately reported as minority interest	—	—	—	—	—	—	3,579	3,579
Translation difference	—	—	—	1,534	—	—	—	1,534
Loss for the period	—	—	—	—	—	(5,763)	(1,366)	(7,129)
Balance at 30 September 2005	<u>33,057</u>	<u>10,000</u>	<u>131,166</u>	<u>1,729</u>	<u>—</u>	<u>(95,581)</u>	<u>2,213</u>	<u>82,584</u>

The notes on pages 5 to 13 form an integral part of these condensed interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 September 2006

	For six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Net cash outflow from operating activities	(1,308)	(7,350)
Net cash inflow/(outflow) from investing activities	432	(1,333)
Net cash inflow from financing activities	—	95
Net decrease in cash and cash equivalents	(876)	(8,588)
Cash and cash equivalents at beginning of the period	4,314	12,547
Effect of foreign exchange rates changes	31	390
Cash and cash equivalents at end of the period	<u>3,469</u>	<u>4,349</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	9,742	10,509
Bank deposit restricted	(6,273)	(6,160)
	<u>3,469</u>	<u>4,349</u>

The notes on pages 5 to 13 form an integral part of these condensed interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed 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 and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 March 2006.

2. Summary of principal accounting policies

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

The accounting policies adopted in the condensed consolidated financial statements 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 an accounting policy on non-current assets held for sale in the preparation of the condensed consolidated financial statements. The adoption of this accounting policy has affected the presentation of interest in jointly controlled entities. In the condensed consolidated balance sheet, such interests are classified as current assets. Below is the accounting policy on non-current assets held for sale.

Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognized at the lower of their carrying amount and fair values less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties (accounted for in accordance with fair value model). These assets, even if held for sale, would continue to be measured in accordance with the relevant accounting policies.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2. Summary of principal accounting policies (continued)

The Group has not early applied the following new standards and interpretations (hereafter collectively referred to as the “new HKFRSs”) that have been issued by the HKICPA but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the result and financial position are prepared and presented.

HKAS 1 (Amendment)	Presentation of financial statements: 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

¹ Effective for annual periods beginning on or after 1st January 2007.

² Effective for annual periods beginning on or after 1st May, 2006.

³ Effective for annual periods beginning on or after 1st June, 2006.

3. Segment information

An analysis of turnover and contribution to the Group’s results by principal activity and geographical location is set out below:

(a) By principal activity

	Turnover		Segment Results	
	Six months ended		Six months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales of data storage media products and related equipment	1,634	2,169	(742)	(2,379)
Sales of property under development	500	5,160	(1,928)	(1,000)
Sales of wine	505	2,019	(2,640)	(2,767)
Others	—	—	—	(725)
	<u>2,639</u>	<u>9,348</u>	<u>(5,310)</u>	<u>(6,871)</u>
Other expenses			<u>(1,081)</u>	<u>(81)</u>
Operating loss before finance costs			<u>(6,391)</u>	<u>(6,952)</u>

3. Segment information (continued)

(b) By geographical location

	Turnover		Segment Results	
	Six months ended		Six months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	26	10	(801)	(2,166)
USA and Canada	909	317	(916)	24
People's Republic of China	1,544	8,784	(3,432)	(4,747)
Others	160	237	(161)	18
	<u>2,639</u>	<u>9,348</u>	<u>(5,310)</u>	<u>(6,871)</u>
Other expenses			<u>(1,081)</u>	<u>(81)</u>
Operating loss before finance costs			<u><u>(6,391)</u></u>	<u><u>(6,952)</u></u>

(c) Financial positions

	As at 30 September	
	2006	2005
	HK\$'000	HK\$'000
Assets		
Sales of data storage media products and related equipment	3,311	11,277
Sales of property under development	73,736	69,898
Sales of wine	19,970	23,119
Unallocated corporate assets	7,440	7,440
	<u>104,457</u>	<u>111,734</u>
Liabilities		
Sales of data storage media products and related equipment	2,946	3,041
Sales of property under development	16,224	3,157
Sales of wine	19,006	18,027
Unallocated corporate liabilities	5,940	4,925
	<u>44,116</u>	<u>29,150</u>
Net assets	<u><u>60,341</u></u>	<u><u>82,584</u></u>

4. Loss from operations

Loss from operations is arrived at after crediting and charging the following:

	For six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Crediting:		
Interest income	61	41
Interest from associated company	—	19
Write back of provisions	536	—
Write back of obsolete inventories	609	—
Gain on disposal of property, plant and equipment	144	—
	<u>1,450</u>	<u>60</u>
Charging:		
Cost of inventories sold	1,790	9,075
Depreciation	1,032	1,143
Directors' remuneration		
— Fees	30	30
— Salaries and allowances	652	834
— Retirement benefits scheme contributions	64	82
Net exchange loss/(gain)	3	(116)
Reversal of accrued income	2,313	—
Operating lease payments	293	429
Employee benefits expenses (excluding directors' remuneration)		
— Salaries and allowances	1,609	2,173
— Retirement benefits scheme contributions	6	88
	<u>6,405</u>	<u>13,671</u>

5. Finance costs

	For six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Interest on other loans without fixed repayment terms	134	—
	<u>134</u>	<u>—</u>

6. Taxation

	For six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Hong Kong		
The Company and subsidiaries	—	—
PRC income tax		
Subsidiaries		
Overprovision in prior year	165	—
Current period provision	—	(177)
	<u>165</u>	<u>(177)</u>

No provision for Hong Kong Profits Tax is made as the Group companies operating in Hong Kong do not have any assessable profits for the current period. Certain of the Group's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. The PRC income tax is calculated at the rates applicable to respective subsidiaries.

7. Loss per share

The calculation of loss per share is based on the unaudited consolidated loss attributable to shareholders of HK\$5,249,000 (2005: loss of HK\$5,763,000) and on 330,571,880 (2005: 330,571,880) shares in issue during the period.

No diluted loss per share for the two periods has been respectively presented as the conversion of the company outstanding options would result in a decrease in net loss per share.

8. Non-current assets held for sale

The directors resolved to dispose of the following interest in joint ventures. The assets and liabilities attributable to these interests which are expected to be sold within twelve months, have been classified as disposal groups held for sale and are presented separately in the balance sheet. The operations are included in the Group's property activities for segment reporting purposes (see note 3).

	HK\$'000
Shanghai Ying Zhi Lun Property Development Limited (上海英之倫房地產發展有限公司) (Note a)	36,909
Shandong Zouping South East Yi Lian Property Company Limited (山東鄒平東南怡聯置業有限公司) (Note b)	5,438
	<u>42,347</u>

8. Non-current assets held for sale (continued)

Notes:

- (a) The interest in joint venture, Shanghai Ying Zhi Lun Property Development Limited (“YZL”), was held by Benelux Property Development (Shanghai) Limited, a wholly owned subsidiary of the Group. YZL acquired a piece of land in Songjiang, Shanghai, the PRC, for property development. The property has not been developed since its acquisition. Therefore, no turnover and profits attributable to the property have been recorded

On 17 July 2006, the directors resolved to dispose of the interest in YZL. The disposal was completed on 17 October, 2006 and a consideration of RMB46,822,000 was received on 24 October 2006. A net gain to the Group of approximately HK\$8,048,000 will be recorded in the second half of the financial year ending 31 March, 2007.

- (b) The interest in joint venture, Shandong Zouping South East Yi Lian Property Company Limited (“SEYL”), was held by South East Property (Shandong) Limited (“SEP”), a wholly owned subsidiary of the Group. SEP acquired a piece of land, divided into residential and commercial property, in Zouping, Shandong, the PRC for property development. The commercial property is under development while the residential property has not been developed since its acquisition. No turnover and profits attributable to both properties have been recorded.

On 1 June 2006, the directors resolved to dispose of the residential property. A transfer agreement was signed on 31 July, 2006. Pursuant to the agreement, a jointly controlled entity, SEYL, was incorporated on 23 August 2006 to facilitate the transfer of the title to the residential property. SEP transferred the residential property to SEYL and received progress payment in September 2006. According to the agreement, SEP will release its 50% equity interest in SEYL after the consideration is received in full. The transaction is expected to be completed within one year and an estimated net gain of HK\$1,872,000 is expected to be recognized in the coming financial year, i.e. the year ending 31 March 2008.

9. Trade and other receivables

The components of trade and other receivables are as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Trade receivables	333	505
Payment in advance on property development	14,425	6,486
Other receivables and prepayments	3,393	3,134
	<u>18,151</u>	<u>10,125</u>

9. Trade and other receivables (continued)

The Group maintains a defined credit policy. For sales of data storage media products and wine, the Group allows an average credit period of 30 days to 90 days to its customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Less than 30 days	153	117
1 to 3 months	16	68
Over 3 months	164	320
	<u>333</u>	<u>505</u>

10. Trade and other payables

The components of trade and other payables are as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Trade payables	3,188	4,406
Receipt in advance on pre-sales contracts	11,756	6,625
Other payables and accruals	19,973	17,438
	<u>34,917</u>	<u>28,469</u>

The aged analysis of trade payables at the balance sheet date is as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Less than 30 days	—	184
1 to 3 months	—	807
Over 3 months	3,188	3,415
	<u>3,188</u>	<u>4,406</u>

11. Amount due to a director

The loan advanced by a director is charged at interest rate of 8% per annum, unsecured and has no fixed repayment terms.

12. Share capital

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30 September 2006 and 31 March 2006	<u>4,000,000,000</u>	<u>400,000</u>
Issued and fully paid		
At 30 September 2006 and 31 March 2006	<u>330,571,880</u>	<u>33,057</u>

Under the share option scheme adopted by the Company on 7 November 2003, the directors may, at their discretion, grant to directors and employees of the Group options to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. Total 18,042,000 options were previously granted and remained outstanding under the share option scheme and no option was granted during the six months ended 30 September 2006.

13. Related party transactions

The Group and the Company paid interest of HK\$134,000 (2005: Nil) to one of the directors, Mr. Budiman Rahardja, regarding the loan advanced by him as stated in note 11 to the financial statements.

14. Commitments

(a) Capital commitments

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Contracted but not provided for property development for sale in PRC	<u>2,106</u>	<u>9,363</u>

(b) Operating lease commitments

At 30 September 2006, the Group had the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Not later than one year	320	478
Later than one year and not later five years	<u>12</u>	<u>118</u>
	<u>332</u>	<u>596</u>

15. Pledge of assets

At 30 September 2006, the Group pledged certain assets as listed below to secure the general banking facilities granted to the Group:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Net book values of property, plant and equipment and prepaid leasehold land	<u><u>7,351</u></u>	<u><u>7,436</u></u>

16. Comparative figures

Certain comparative figures have been re-classified to conform to the current period's presentation.

17. Approval of the interim financial report

This interim financial report was approved by the Board of Directors on 18 December 2006.

INTERIM DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30 September 2006 (2005: nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the six months ended 30 September 2006 reduced by 71.8% to HK\$2,639,000, compared to approximately HK\$9,348,000 for the corresponding period last year. The fall in turnover was mainly due to reduced income from the current businesses, in particular reduced sales realized from the completed property project and the wine business. The Group posted a loss attributable to shareholders of approximately HK\$5,249,000 for the six months ended 30 September 2006, a slight improvement from HK\$5,763,000 in the same period last year.

Business Review

For the six months ended 30 September 2006, the turnover generated by the property segment amounted to approximately HK\$500,000, representing approximately 19.0% of the Group's total turnover. The turnover derived from this business dropped considerably from HK\$5,160,000 for the corresponding period last year, which was in line with the depleting stock of completed properties held for sale. The turnover recognized under this business segment was mainly related to the car parking spaces at the Pudong project. An operating loss of HK\$1,928,000 was recorded for the period, as compared to HK\$1,000,000 for the previous corresponding period.

The Group entered into a cooperation for development agreement in July 2006 to dispose of its interests in a piece of land for residential development in Zouping, Shandong, the PRC. This transaction will contribute a profit before tax of approximately HK\$1,872,000 to the Group. Such contribution will be recognized in the Group's consolidated income statement in the coming financial year. The Group also completed the transaction on disposal of its 33% equity interest and shareholder's loan for its investment in the Songjiang project in October 2006, thereby realizing a profit before tax of approximately HK\$8,048,000. The profit from this transaction will be recognized in the second half of the financial year ending 31 March 2007.

Construction of certain commercial properties at the site in Zouping, Shandong, the PRC has been taking place during the period under review. The Group has commenced marketing launch for this project. It is expected that the turnover and results in relation to this project will be recognized starting from the coming financial year.

MANAGEMENT DISCUSSION AND ANALYSIS (*continued*)

Business Review (*continued*)

For the six months ended 30 September 2006, the trading income from data storage media products amounted to approximately HK\$1,634,000, representing approximately 61.9% of the Group's total turnover, a decrease of 24.7% when compared with the previous corresponding period of HK\$2,169,000. The results of this business segment for the period ended 30 September 2006 have a negative contribution of HK\$742,000, improving from the loss of HK\$2,379,000 of the same period last year.

The turnover of the Group's wine business was approximately HK\$505,000 for the period under review, representing approximately 19.1% of the total turnover, a decrease of 75% when compared with the previous corresponding period of HK\$2,019,000. A loss of approximately HK\$2,640,000 was recorded during the review period, decreased by approximately 4.6% as compared to the corresponding period in 2005 of HK\$2,767,000. As the wine business has been under-performed, retrenchment measures have been taking out which results in curtailing the operations of the winery and hence a significant drop in sales revenue for the period under review.

Geographically, the turnover derived from the PRC accounted for approximately 58.5% of the total turnover of the Group for the six months ended 30 September 2006, while it was 94% for the previous corresponding period. Despite of this reversal of business trend resulted from the reduction in recurring income from the property segment, the PRC market remains the Group's focus.

Prospects

Barring unforeseeable circumstances, the Group expects that its financial and trading prospects would improve for the current financial year. In a longer term, the Group will continue the direction for business development with focus on property development and other investment activities in the PRC. It will cautiously explore business opportunities with the potential to meet the environmental risks. Meanwhile, the Group will monitor its existing businesses to control costs and improve efficiency, where necessary, to make appropriate adjustments.

Liquidity and Financial Resources

At 30 September 2006, cash and bank balances of the Group amounted to approximately HK\$9,742,000, compared to approximately HK\$10,530,000 at 31 March 2006. Bank borrowings of the Group as at the same date amounted to approximately HK\$4,560,000, which are repayable within one year (HK\$4,560,000 at 31 March 2006).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and Financial Resources (continued)

The Group's bank borrowings were denominated as to 100% in Renminbi. The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars so that it does not have any significant exposure to foreign exchange fluctuation.

Total shareholders' equity is approximately HK\$60,341,000 at 30 September 2006 (HK\$66,670,000 at 31 March 2006).

The gearing ratio, expressed as the percentage of the Group's total borrowings over total shareholders' equity, was approximately 7.56% at 30 September 2006, as compared with 6.84% at 31 March 2006.

Employees

At 30 September 2006, the total number of employees of the Group was approximately 264 (2005: 285). Employees are basically remunerated based on the nature of their job and their performance as well as prevailing market trend. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Company also adopted a share option scheme in November 2003 to reward employees of the Group for their contributions to the Company.

Charges on Group assets

At 30 September 2006, the Group pledged certain assets including land and buildings with an aggregate net book value of HK\$7,351,000 (HK\$7,436,000 at 31 March 2006) to secure the general banking facilities and bank loans granted to the Group.

Capital commitment and contingent liabilities

At 30 September 2006, the Group had outstanding capital commitments amounting to HK\$2,106,000 (HK\$9,363,000 at 31 March 2006). There has been no material change in the Group's contingent liabilities since the publication of the last annual report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2006, details of the interests of the directors and chief executive of the Company in the equity and debt securities of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") to be notified to the Company and the Stock Exchange were as follows:

(A) Long positions in ordinary shares of the Company

Name of Director	Capacity	Number of shares	Percentage of the Company's issued share capital
Budiman RAHARDJA	Beneficially owned and through a controlled corporation	137,364,131 (Note)	41.55%

Note: Of 137,364,131 shares, 21,382,001 shares were beneficially owned by Mr. Budiman RAHARDJA. He was deemed to be interested in 115,982,130 shares by virtue of the fact that he was interested in the Company's shares through his beneficial shareholding interests in Easy Lead Corporation Limited, which was owned as to 50% by Mr. Budiman RAHARDJA and 50% by his mother, Madam Wasi Hastuti SRI.

(B) Long positions in underlying shares — share options

Details of the interests of directors in share options of the Company are disclosed under the section headed "Share Option Scheme" below.

Save as disclosed above, as at 30 September 2006, none of the directors and chief executive of the Company was interested in the equity and debt securities of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 or Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, according to the register kept by the Company under section 336 of the SFO, the following shareholders, other than a director or chief executive of the Company, had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carry rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in ordinary shares of the Company

Name	Capacity	Number of shares	Percentage of the Company's issued share capital
Easy Lead Corporation Limited	Directly beneficially owned	115,982,130 (Note)	35.09%
Madam Wasi Hastuti SRI	Through a controlled corporation	115,982,130 (Note)	35.09%

Note: These shareholdings are duplicated and refer to the same parcel of shares held by Easy Lead Corporation Limited as set out in the note in respect of "Directors' Interests and Short Positions in Securities" above.

Save as disclosed above, as far as the directors are aware, no other person had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

To comply with Chapter 17 (Equity Securities — Share Option Schemes) of the Listing Rules, the Company adopted a new share option scheme ("New Scheme") as approved by the shareholders at the Special General Meeting on 7 November 2003.

SHARE OPTION SCHEME (continued)

Particulars of outstanding options at the beginning and at the end of the financial period for the six months ended 30 September 2006 and options granted, exercised, cancelled and lapsed during the period under the New Scheme were as follows:

Participants	Date of Grant	Options held at 1 April 2006	Options exercised during the period	Options held at 30 September 2006	Exercise price per share HK\$	Exercisable from	Exercisable until
Directors							
Budiman RAHARDJA	18 Dec 2003	3,305,000	Nil	3,305,000	0.106	18 Dec 2003	17 Dec 2013
	18 Dec 2003	3,305,000	Nil	3,305,000	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	3,305,000	Nil	3,305,000	0.106	18 Dec 2005	17 Dec 2015
KWAN Kei Chor, Samuel	18 Dec 2003	1,322,000	Nil	— (Note)	0.106	18 Dec 2003	17 Dec 2013
	18 Dec 2003	1,322,000	Nil	— (Note)	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	1,322,000	Nil	— (Note)	0.106	18 Dec 2005	17 Dec 2015
LO Yuk Lam	18 Dec 2003	330,000	Nil	330,000	0.106	18 Dec 2003	17 Dec 2013
	18 Dec 2003	330,000	Nil	330,000	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	330,000	Nil	330,000	0.106	18 Dec 2005	17 Dec 2015
WONG Kam Wah	18 Dec 2003	330,000	Nil	330,000	0.106	18 Dec 2003	17 Dec 2013
	18 Dec 2003	330,000	Nil	330,000	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	330,000	Nil	330,000	0.106	18 Dec 2005	17 Dec 2015
Employees	18 Dec 2003	2,049,000	Nil	2,049,000	0.106	18 Dec 2003	17 Dec 2013
	18 Dec 2003	2,049,000	Nil	2,049,000	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	2,049,000	Nil	2,049,000	0.106	18 Dec 2005	17 Dec 2015
Total		<u>22,008,000</u>		<u>18,042,000</u>			

Note: The share options were cancelled subsequent to the resignation of Mr. Kwan Kei Chor, Samuel. Save as disclosed above, no option was granted or cancelled or lapsed under the New Scheme during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2006. The Audit Committee currently comprises three members including two independent non-executive directors, Mr. Lo Yuk Lam and Mr. Wong Kam Wah, and the non-executive director, Mr. Chen Zhi Yung.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the interim period:

CODE ON CORPORATE GOVERNANCE PRACTICES (*continued*)

Under Code Provision A.1.7, there should be a procedure agreed by the Board to enable directors to seek independent professional advice at the Company's expense. The Board has not adopted such procedure yet. However, directors are allowed to seek independent professional advice at the Company's expense practically.

Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of chairman of the Company is performed by Mr. Budiman Rahardja. The Company does not have a specific post of chief executive officer at present.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, the Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws (the "Bye-laws"), so accomplishing the same purpose as a specific term of appointment.

Under Code Provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company amended the Company's bye-laws to comply with Code Provision A.4.2 at the special general meeting convened on 28 November 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a model code regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Based on the specific enquiries of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its shares during the six months ended 30 September 2006.

By order of the Board
Budiman RAHARDJA
Chairman

Hong Kong, 18 December 2006