



**NAM HING HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

(stock code: 986)

○ **Interim Report 2006/2007**



## CORPORATE INFORMATION

### Directors

Mr. Lau Kwai (*Chairman*)  
Mr. Lau Chung Yim (*Managing Director and Chief Executive Officer*)  
Mr. Lau Chung Hung  
Mr. Lau Hing Hai  
Ms. Lau May Wah  
Mr. Kwok Kwan Hung  
Mr. Chang Tso Tung Stephen\*  
Mr. Leung Hon Ming\*  
Mr. Pravith Vaewhongs\*

\* *Independent Non-executive Directors*

### Company secretary and qualified accountant

Mr. Kwok Kwan Hung

### Audit Committee

Mr. Chang Tso Tung Stephen (*Chairman*)  
Mr. Leung Hon Ming  
Mr. Pravith Vaewhongs

### Remuneration Committee

Mr. Lau Chung Yim (*Chairman*)  
Mr. Chang Tso Tung Stephen  
Mr. Leung Hon Ming

### Auditors

Ernst & Young  
*Certified Public Accountants*  
18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### Registered office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Head office and principal place of business

27th Floor  
Yuen Long Trade Centre  
99-109 Castle Peak Road  
Yuen Long  
New Territories  
Hong Kong

### Principal bankers

Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
DBS Bank Limited, Shanghai Branch  
The Hongkong and Shanghai Banking Corporation Limited  
Bank of Communications, Hong Kong Branch  
Shanghai Commercial Bank Limited

### Principal share registrar and transfer office

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### Hong Kong branch share registrar and transfer office

Tengis Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### Website

<http://www.namhingholdings.com>

### Stock Code

986

## UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of Nam Hing Holdings Limited (the “Company”) announces as follows the unaudited condensed consolidated 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 previous period. These interim results have not been audited or reviewed by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

		<b>Six months ended 30 September</b>	
		<b>2006</b>	2005
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
REVENUE	3	<b>168,603</b>	140,102
Cost of sales		<b>(146,460)</b>	(123,571)
Gross profit		<b>22,143</b>	16,531
Other income and gains		<b>998</b>	1,355
Selling and distribution costs		<b>(3,190)</b>	(2,788)
Administrative expenses		<b>(14,144)</b>	(13,702)
Other expenses		<b>(3,869)</b>	822
Finance costs		<b>(3,024)</b>	(1,804)
PROFIT/(LOSS) BEFORE TAX	4	<b>(1,086)</b>	414
Tax	5	<b>260</b>	(301)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		<b>(826)</b>	113
INTERIM DIVIDEND	6	–	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
– Basic		<b>HK(0.2056) cent</b>	HK0.0281 cent
– Diluted		–	HK0.0281 cent

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2006

	Notes	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>178,503</b>	172,968
Prepaid land lease payments		<b>14,347</b>	14,080
Investment properties		<b>20,980</b>	20,980
Trademark		<b>2,269</b>	2,226
Total non-current assets		<b>216,099</b>	210,254
<b>CURRENT ASSETS</b>			
Trade debtors	8	<b>106,903</b>	95,266
Other debtors, prepayments and deposits		<b>6,260</b>	4,282
Inventories		<b>56,258</b>	51,494
Equity investments at fair value through profit or loss/other investments		<b>3,013</b>	3,220
Tax recoverable		<b>144</b>	432
Pledged fixed deposits		<b>9,376</b>	8,229
Cash and bank balances		<b>5,696</b>	6,534
Total current assets		<b>187,650</b>	169,457
<b>CURRENT LIABILITIES</b>			
Trade creditors	9	<b>54,797</b>	47,165
Bills payable		<b>1,668</b>	1,994
Other creditors and accruals		<b>15,177</b>	11,908
Bank and other borrowings		<b>124,456</b>	114,867
Total current liabilities		<b>196,098</b>	175,934
NET CURRENT LIABILITIES		<b>(8,448)</b>	(6,477)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>207,651</b>	203,777
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>7,905</b>	8,853
Net assets		<b>199,746</b>	194,924
<b>EQUITY</b>			
Issued share capital		<b>40,184</b>	40,184
Reserves		<b>159,562</b>	154,740
Total equity		<b>199,746</b>	194,924

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2005 (audited)	40,184	124,711	2,031	(23,879)	464	53,234	196,745
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	(97)	-	-	(97)
Total income and expense for the period recognised directly in equity	-	-	-	(97)	-	-	(97)
Profit for the period	-	-	-	-	-	113	113
Total income and expense for the period	-	-	-	(97)	-	113	16
At 30 September 2005 (Unaudited)	<u>40,184</u>	<u>124,711</u>	<u>2,031</u>	<u>(23,976)</u>	<u>464</u>	<u>53,347</u>	<u>196,761</u>
At 1 April 2006 (audited)	40,184	124,711	2,031	(18,553)	464	46,087	194,924
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	5,648	-	-	5,648
Total income and expense for the period recognised directly in equity	-	-	-	5,648	-	-	5,648
Loss for the period	-	-	-	-	-	(826)	(826)
Total income and expense for the period	-	-	-	5,648	-	(826)	4,822
At 30 September 2006 (Unaudited)	<u>40,184</u>	<u>124,711</u>	<u>2,031</u>	<u>(12,905)</u>	<u>464</u>	<u>45,261</u>	<u>199,746</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash inflow from operating activities	<b>2,006</b>	4,435
Net cash outflow from investing activities	<b>(9,355)</b>	(8,869)
Net cash inflow from financing activities	<b>5,061</b>	8,770
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>(2,288)</b>	4,336
Cash and cash equivalents as at 1 April	<b>(6,742)</b>	(7,320)
Foreign exchange adjustments	<b>1,487</b>	(1,399)
	<hr/>	<hr/>
Cash and cash equivalents as at 30 September	<b>(7,543)</b>	(4,383)
	<hr/>	<hr/>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>5,696</b>	8,885
Bank overdrafts	<b>(13,239)</b>	(13,268)
	<hr/>	<hr/>
	<b>(7,543)</b>	(4,383)
	<hr/>	<hr/>

### Notes

#### 1. Accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations and Hong Kong Financial Reporting Standards (collectively the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Save for those new HKFRSs adopted during the period as set out in note 2, the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2006.

## 2. Impact of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods commencing on or after 1 January 2006. The adoption of the following HKFRSs does not have any material effect on the financial statements of the Group:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 and HKFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Group expects that application of these new HKFRSs will have no material impact on how the results and financial position of the Group are prepared and presented:

HKAS 1 Amendment	Presentation of Financial Statements “Capital Disclosures” <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC) – Int 8	Scope of HKFRS <sup>2</sup>
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives <sup>3</sup>
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment <sup>4</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 January 2007

<sup>2</sup> Effective for accounting periods beginning on or after 1 May 2006

<sup>3</sup> Effective for accounting periods beginning on or after 1 June 2006

<sup>4</sup> Effective for accounting periods beginning on or after 1 November 2006

### 3. Segment information

The Group's primary format for reporting segment information is business segment.

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

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

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



### 3. Segment information (continued)

An analysis of the Group's revenues and results for the current period by business segment, together with the comparative amounts for the corresponding period of 2005, is as follows:

	Six months ended 30 September 2006				
	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue:					
Sales to external customers	114,242	52,907	1,454	-	168,603
Intersegment sales	21,684	-	39,734	(61,418)	-
Other revenue	1,589	51	309	(1,107)	842
Total	<u>137,515</u>	<u>52,958</u>	<u>41,497</u>	<u>(62,525)</u>	<u>169,445</u>
Segment results	<u>343</u>	<u>904</u>	<u>848</u>		<u>2,095</u>
Interest income					156
Unallocated expenses					(313)
Finance costs					<u>(3,024)</u>
Loss before tax					<u>(1,086)</u>
Tax					<u>260</u>
Loss for the period					<u><u>(826)</u></u>

### 3. Segment information (continued)

	Six months ended 30 September 2005				
	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue:					
Sales to external customers	94,390	45,145	567	-	140,102
Intersegment sales	18,086	-	28,945	(47,031)	-
Other revenue	1,363	66	952	(1,071)	1,310
Total	<u>113,839</u>	<u>45,211</u>	<u>30,464</u>	<u>(48,102)</u>	<u>141,412</u>
Segment results	<u>(528)</u>	<u>3,131</u>	<u>191</u>		2,794
Interest income					45
Unallocated expenses					(621)
Finance costs					<u>(1,804)</u>
Profit before tax					414
Tax					<u>(301)</u>
Profit for the period					<u>113</u>

**4. Profit/(Loss) before tax**

Profit/(Loss) before tax is arrived at after charging/(crediting):

	<b>Six months ended 30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Staff costs	<b>15,400</b>	14,082
Depreciation and amortisation	<b>7,284</b>	7,037
Exchange (gain)/loss	<b>3,021</b>	(1,658)
	<b><u>3,021</u></b>	<u>(1,658)</u>

**5. Tax**

	<b>Six months ended 30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Provision for the period		
PRC		
Hong Kong		
– Charge for the period	–	171
Mainland China		
– Charge for the period	–	130
– Over provision in the prior period	<b>(260)</b>	–
	<b><u>(260)</u></b>	<u>301</u>
Tax charge/(credit) for the period	<b>(260)</b>	301

Hong Kong profits tax for the six months ended 30 September 2006 was provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the period, after setting off unutilized tax losses brought forward from prior years.

## 5. Tax (continued)

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

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

## 6. Interim dividend

The Board did not propose to declare a payment of interim dividend for the six months ended 30 September 2006 (2005: Nil).

## 7. Earnings/(Loss) per share attributable to equity holders of the parent

### (a) Basic earnings/(loss) per share

The calculation of basic loss per share for the six months ended 30 September 2006 is based on the loss for the period attributable to equity holders of the parent of HK\$826,000 (2005: profit of HK\$113,000) and the weighted average of 401,838,800 (2005: 401,838,800) ordinary shares in issue during the period.

### (b) Diluted earnings/(loss) per share

Diluted loss per share for the six months ended 30 September 2006 has not been disclosed, as the share options outstanding during the period had no dilutive effect on the basic loss per share.

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

## 8. Trade debtors

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

	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
Within 3 months	<b>76,070</b>	66,652
4 to 6 months	<b>29,505</b>	27,041
Over 6 months	<b>1,328</b>	1,573
	<b><u>106,903</u></b>	<u>95,266</u>

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

## 9. Trade creditors

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

	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
Within 3 months	<b>46,378</b>	36,045
4 to 6 months	<b>6,012</b>	8,777
Over 6 months	<b>2,407</b>	2,343
	<b><u>54,797</u></b>	<u>47,165</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review & Prospects

#### *Review of Business Activities*

The consolidated turnover of the Group for the six months ended 30 September 2006 was HK\$168,603,000, representing a 20.3% increment as compared to HK\$140,102,000 of the previous period. Meanwhile, the gross profit and gross profit margin also increased to HK\$22,143,000 and 13.1% from HK\$16,531,000 and 11.8% of the previous period respectively. However, the Group recorded a slight loss of HK\$826,000 in this period (2005: profit of HK\$113,000) after deducting administrative, finance and non-operational costs.

#### *Industrial Laminate Division*

The industrial laminate business continued to play an important role in contributing to the business of the Group during the six months period under review. Sales volume increased from HK\$94,390,000 of the previous period to HK\$114,242,000, representing an increase of 21.0%. The gross profit margin also increased from 4.2% in the previous period to 7.8%. Increases in turnover and gross profit margin of the Group were mainly due to increase in the sales of industrial laminates, which was in turn driven by the Group's focus on glass epoxy laminate with a higher profit margin. Both sales volume and selling price of glass laminates increased by approximately 19.5% and 8.4% respectively as compared with the previous period, owing to greater management effort in reinforcing marketing and sales activities. The slight improvement in profit margin came from the gradual stabilization in copper price during the period under review and the successful transfer of increased manufacturing costs to the Group's customers.

The Board is pleased to announce the successful commencement of commercial production at the Suzhou plant in August 2006. Despite a loss of HK\$2,559,000 recorded in the period under review with the plant in a start-up stage, the management is confident that this new capacity will bring in new momentum and competitiveness for the Group in developing new markets and future revenue. This industrial laminate plant has an initial production capacity of up to 2 million square metres per year for paper laminate. With this new capacity, the Group is poised to capture the strong market for laminates in Eastern China, where large numbers of major electronics manufacturers are located. Potential customers will be PCB manufacturers in Eastern and Northern China such as Jiangsu, Shanghai, Fujian and Shandong provinces.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review & Prospects (continued)

#### *Printed Circuit Board Division (PCB)*

Compared with the last financial period, the turnover of PCB business increased from HK\$45,145,000 in the previous period to HK\$52,907,000, representing an increase of 17.2%. The increment was mainly due to the rise in sales of single-sided PCB. However, the profit margin dropped as single-sided PCB has a lower profit margin. For this reason, the Group has redirected its marketing strategy to focus on cultivating quality overseas customers in order to sustain its profit margin. As such, the Group will participate in more exhibitions and marketing activities overseas.

#### *Copper Foil Division*

For the period under review, the copper foil plant in Thailand successfully maintained stabilized production and sourcing of raw materials. Raw materials price (mainly copper price) has stabilized since mid 2006 and the Group has been able to secure constant sourcing since then. Following the commencement of operation of the Suzhou plant, the management is expecting the production of this copper foil plant to grow gradually in the second half of the year ending 31 March 2007.

#### *Conclusion*

As compared with last period, the overall business in the first half of the financial year 2007 remained stable. The Group successfully managed the difficult period in early 2006 when prices of copper and chemicals upsurged. Although a slight loss was recorded in this period, the loss was attributed to the increases in non-operating expenses and finance costs following the slight increases in interest rates and exchange rates of Thai Baht and Renminbi. In the second half of the year, nevertheless, the Group has been managed to increase its sales volume and will further expand its presence in Eastern China while maintaining its markets in Southern China. The management believes that the Group's experience in Mainland China, together with the proximity of the Group's manufacturing operations to its customers in Mainland China, will enable the Group to better serve its customers' specific needs and achieve better results in future.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity and Financial Resources

It is the Group's policy to rely on internally generated funds and bank borrowings to finance its operations and expansion projects.

As at 30 September 2006, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$15,072,000 (31 March 2006: HK\$14,763,000). The total interest-bearing bank loans and other borrowings increased from HK\$123,720,000 as at 31 March 2006 to HK\$132,361,000 as at 30 September 2006. Finance costs incurred increased from HK\$1,804,000 for the six months ended 30 September 2005 to HK\$3,024,000 for the six months ended 30 September 2006, due to the increase in interest rates during the period under review. The Group's gearing ratio, being the ratio of bank and other borrowings plus finance lease payables to total shareholders' equity, was 0.66, which was similar to that of 0.63 as at 31 March 2006.

The Board considers that the current gearing ratio is comfortable. The fact that the current ratio of 0.96 is similar to that as at 31 March 2006 was mainly due to the mismatch of short-term funding to support long-term investment over the past few years. In order to restore a healthier financial position, the Board is in the course of planning certain refinancing activities.

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

	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
Repayable within one year	<b>124,456</b>	114,867
Repayable in the second year	<b>1,469</b>	1,985
Repayable in the third to fifth years, inclusive	<b>6,436</b>	6,868
	<b><u>132,361</u></b>	<u>123,720</u>

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai Baht and Renminbi. The Group currently does not have a foreign currency hedging policy. However, the management will monitor from time to time the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Contingent Liabilities

As at 30 September 2006, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance (the "Ordinance"), with a maximum possible amount of HK\$263,000 (31 March 2006: HK\$234,000). The contingent liability has arisen because, as at 30 September 2006, a number of current employees have achieved the required number of years of service to the Group to be eligible for long service payments under the Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a significant future outflow of resources from the Group.

### Commitments

At the balance sheet date, the Group had the following commitments in respect of capital expenditure, which was authorised, but not provided for in the financial statements:

	<b>30 September 2006 HK\$'000 (Unaudited)</b>	31 March 2006 HK\$'000 (Audited)
Contracted for in respect of purchases of items of property, plant and equipment	<b><u>6,753</u></b>	<u>11,185</u>

Except as disclosed above, the Company did not have any other significant commitments at the balance sheet date.

### Pledge of Assets

As at 30 September 2006, the amount of the Group's assets pledged as security for banking facilities was approximately HK\$72,041,000 (31 March 2006: HK\$50,736,000).

### Employment, Training and Remuneration Policy

During the current period under review, the Group continued to adopt a series of measures towards the size of workforce and commit to staff development and training programs. The Group had approximately 1,120 employees as at 30 September 2006 (30 September 2005: approximately 1,078). Remunerations are commensurate with the nature of jobs, experience and market conditions. Eligible employees are offered discretionary bonuses and share options depending on individual effort and the Group's performance.

## COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

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

As at 30 September 2006, the interests of the directors of the Company in the shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Interests in the Company:

Name of director	Long/ Short position	Capacity	Note	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Lau Kwai	Long	Beneficial owner		1,500,000	0.37
	Long	Founder of a discretionary trust	(a)	87,696,000	21.82
	Long	Founder of a discretionary trust	(b)	42,078,400	10.47
	Long	Founder of a discretionary trust	(c)	15,851,200	3.94
Mr. Lau Chung Yim	Long	Beneficial owner		32,690,000	8.14
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
	Long	Beneficiary of a discretionary trust	(b)	42,078,400	10.47
Mr. Lau Chung Hung	Long	Beneficial owner		16,000,000	3.98
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Name of director	Long/ Short position	Capacity	Note	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Lau Hing Hai	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
	Long	Beneficiary of a discretionary trust	(c)	15,851,200	3.94
Ms. Lau May Wah	Long	Beneficial owner		19,039,200	4.74
	Long	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
Mr. Leung Hon Ming	Long	Beneficial owner		150,000	0.04

Notes:

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

In addition to the above, as at 30 September 2006, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirement of a minimum of two shareholders.

Save as disclosed herein, as at 30 September 2006, none of the directors or chief executive of the Company had any interests/short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

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

During the six months ended 30 September 2006, no option was granted, lapsed, exercised or cancelled. The following table discloses details of the share options held by employees (other than directors) during the period under review:

Category of participant	Number of share options outstanding at 1 April 2006	Number of share options outstanding at 30 September 2006	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$
<b>Employees other than the directors</b>					
In aggregate	530,000	530,000	3 June 2004	From 21 May 2004 to 20 May 2007	0.180
	530,000	530,000	3 June 2004	From 21 January 2005 to 20 May 2007	0.180
	530,000	530,000	3 June 2004	From 21 September 2005 to 20 May 2007	0.180
	<u>1,590,000</u>	<u>1,590,000</u>			

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2006, the following persons, not being a director or chief executive of the Company, had an interest in the shares of the Company, as recorded in the register required to be kept under Section 336 of the SFO or as the directors are aware:

Name of substantial shareholder	Long/ Short position	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Ms. Chan Ka Lam	Long	Interest of spouse	(a)	103,547,200	25.77
Ms. Fong Shun Yum	Long	Interest of spouse	(b)	147,125,600	36.61
Mr. Lo Tin Yuen	Long	Interest of spouse	(c)	106,735,200	26.56
Ms. Tam Wai Ling Josephine	Long	Interest of spouse	(d)	162,464,400	40.43
Ms. Wong Yuk Ching	Long	Interest of spouse	(e)	103,696,000	25.81
Woohei Inc.	Long	Trustee	(f)	87,696,000	21.82
Dragon Power Inc.	Long	Trustee	(f)	42,078,400	10.47
MeesPierson Trust (Asia) Limited	Long	Trustee	(f) & (g)	145,625,600	36.24

Notes:

- (a) Ms. Chan Ka Lam was deemed to be interested in 103,547,200 shares of the Company through interest of her spouse, Mr. Lau Hing Hai.
- (b) Ms. Fong Shun Yum was deemed to be interested in 147,125,600 shares of the Company through interest of her spouse, Mr. Lau Kwai.
- (c) Mr. Lo Tin Yuen was deemed to be interested in 106,735,200 shares of the Company through interest of his spouse, Ms. Lau May Wah.
- (d) Ms. Tam Wai Ling Josephine was deemed to be interested in 162,464,400 shares of the Company through interest of her spouse, Mr. Lau Chung Yim.
- (e) Ms. Wong Yuk Ching was deemed to be interested in 103,696,000 shares of the Company through interest of her spouse, Mr. Lau Chung Hung.
- (f) These interests have also been disclosed as the interests of Mr. Lau Kwai/Mr. Lau Chung Yim/Mr. Lau Chung Hung/Mr. Lau Hing Hai/Ms. Lau May Wah in the section headed "Directors' interests and short positions in shares and underlying shares" above.
- (g) MeesPierson Trust (Asia) Limited was the Trustee of The Lau Kwai Trust, The Jopat Trust and The Hingka Trust and was therefore deemed to be interested in the 87,696,000 shares indirectly owned by The Lau Kwai Trust, 42,078,400 shares indirectly owned by The Jopat Trust and 15,851,200 shares indirectly owned by The Hingka Trust.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)**

Save as disclosed herein, as at 30 September 2006, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

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

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

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

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

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry of the Relevant Employees, the Relevant Employees confirmed that they have complied with the required standard set out in the Model Code and the Written Guidelines throughout the accounting period covered by this interim report.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Company's unaudited consolidated interim financial statements for the six months ended 30 September 2006 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

## CORPORATE GOVERNANCE

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

## DISCLOSURES PURSUANT TO RULE 44(3) TO APPENDIX 16 OF THE LISTING RULES

Mr. Kwok Kwan Hung ("Mr. Kwok") has been re-designated from an independent non-executive director of the Company to an executive director of the Company with effect from 1 August 2006. Immediately following the said re-designation of Mr. Kwok, the Company and the Company's Audit Committee were left with only two independent non-executive directors namely, Mr. Chang Tso Tung Stephen (who has the appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10 of the Listing Rules) and Mr. Leung Hon Ming. Subsequently, Mr. Pravith Vaewhongs was appointed as an independent non-executive director and a member of the Audit Committee of the Company on 31 October 2006. Upon such appointment, Rules 3.10(1) and 3.21 of the Listing Rules have been duly complied with by the Company.

ON BEHALF OF THE BOARD

**Lau Kwai**

*Chairman*

Hong Kong

18 December 2006