



MASCOTTE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 136)

Interim Report 2006



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Chan Oi Ling, Maria Olimpia (*Chairperson*)
Lam Yu Ho, Daniel (*Managing Director*)
Cheng Lok Hing
Cheng Chun Kit
Ji Hong

Independent Non-Executive Directors

Wong Yui Leung, Larry
Lui Wan Shan, Wilson
Cheung Ngai Lam

COMPANY SECRETARY

Chiu Wing Keung, Frank

QUALIFIED ACCOUNTANT

Chiu Wing Keung, Frank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor, Po Chai Industrial Building
28 Wong Chuk Hang Road
Aberdeen
Hong Kong

WEBSITE ADDRESS

www.mascotte.com

PRINCIPAL BANKERS

Standard Chartered Bank
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia Limited, Guang Zhou Branch
DBS Bank (Hong Kong) Limited

AUDITORS

Deloitte Touche Tohmatsu

SHARE REGISTRARS

Bermuda

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong

Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

INTERIM RESULTS

The Board of Directors (the “Directors”) of Mascotte Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006 – unaudited

	Notes	Six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	3	111,538	101,337
Cost of sales		(76,536)	(71,574)
Gross profit		35,002	29,763
Other income		921	152
Selling and distribution costs		(5,029)	(5,400)
Administrative expenses		(18,231)	(13,591)
Finance costs		(981)	(889)
Profit before taxation	3&4	11,682	10,035
Income tax expenses	5	(2,082)	(1,755)
Profit for the period		9,600	8,280
Attributable to:			
Equity holders of the Company		9,894	8,218
Minority interests		(294)	62
		9,600	8,280
Interim dividend	6	–	–
Earnings per share			
Basic	7	2.3 cents	1.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2006 – unaudited*

	Notes	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Non-current assets			
Investment properties		159,947	34,650
Property, plant and equipment		51,412	47,439
Prepaid lease payments		4,810	4,694
Goodwill		4,243	4,243
Deposits paid	8	18,000	18,000
		238,412	109,026
Current assets			
Inventories		7,496	8,667
Prepaid lease payment		445	435
Trade and bills receivables	9	37,934	27,098
Loans receivable	10	–	46,710
Other receivables and prepayments		5,984	12,050
Bank balances and cash		18,165	44,736
		70,024	139,696
Current liabilities			
Trade payables	11	21,695	13,677
Other payables and accrued charges		12,867	9,795
Dividend payable		614	408
Income tax payable		8,495	6,539
Bank borrowings		29,990	16,415
		73,661	46,834
Net current assets/(liabilities)		(3,637)	92,862
		234,775	201,888
Capital and reserves			
Share capital	12	42,400	42,400
Reserves		172,529	148,174
Equity attributable to equity holders of the Company		214,929	190,574
Minority interests		2,908	3,205
Total equity		217,837	193,779
Non-current liability			
Bank borrowings		7,849	8,109
Deferred taxation		9,089	–
		234,775	201,888

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2006 – unaudited*

	Attributable to Shareholders of the Company											
	Share capital	Share premium	Special reserve	Goodwill reserve	Negative goodwill reserve	Translation reserve	Reserve fund	Enterprise expansion reserve	Retained profits	Total	Minority interests	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
At 1 April 2006	42,400	66,672	14,901	-	-	(23)	1,083	1,083	64,458	190,574	3,205	193,779
Exchange difference arising from translation of financial statements of PRC operations recognised directly in equity	-	-	-	-	-	2,070	-	-	-	2,070	(3)	2,067
Arising from acquisition	-	-	16,631	-	-	-	-	-	-	16,631	-	16,631
Profit for the period	-	-	-	-	-	-	-	-	9,894	9,894	(294)	9,600
Total recognised income for the period	-	-	16,631	-	-	2,070	-	-	9,894	28,595	(297)	28,298
2006 final dividend paid	-	-	-	-	-	-	-	-	(4,240)	(4,240)	-	(4,240)
At 30 September 2006	42,400	66,672	31,532	-	-	2,047	1,083	1,083	70,112	214,929	2,908	217,837
At 1 April 2005												
As previously reported	42,400	66,672	14,901	(10,638)	2,080	(1,119)	1,083	1,083	64,784	181,246	2,853	184,099
Opening Adjustment HKFRS 3	-	-	-	-	(2,080)	-	-	-	2,080	-	-	-
As restated	42,400	66,672	14,901	(10,638)	-	(1,119)	1,083	1,083	66,864	181,246	2,853	184,099
Profit for the period	-	-	-	-	-	-	-	-	8,218	8,218	62	8,280
2005 final dividend paid	-	-	-	-	-	-	-	-	(4,240)	(4,240)	-	(4,240)
At 30 September 2005	42,400	66,672	14,901	(10,638)	-	(1,119)	1,083	1,083	70,842	185,224	2,915	188,139

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2006 – unaudited*

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Net cash (used in) from operating activities	(12,909)	12,249
Net cash used in investing activities	(21,639)	(4,600)
Net cash from (used in) financing activities	7,166	(168)
Net (decrease) increase in cash and cash equivalents	(27,382)	7,481
Cash and cash equivalents at beginning of the period	44,619	33,605
Cash and cash equivalents at end of the period	17,237	41,086
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	18,165	41,127
Bank overdraft	(928)	(41)
	17,237	41,086

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2006

1. BASIS OF PRESENTATION

The unaudited interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared under the historical cost convention except for certain financial instruments, leasehold land and buildings and the investments properties, which are measured at fair values.

The accounting policies adopted are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2006, except the Group adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRS") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 April 2006. The adoption of these new HKFRSs has no material financial impact on the accounting policies of the Group and the methods of computation in the Group's interim financial statements.

3. SEGMENTS INFORMATION

Analysis of the Group's turnover and contribution to operating profit by business segments and geographical segments is as follows:

Business segments

	Six months ended 30 September 2006		
	Manufacture and sales of goods (Unaudited) <i>HK\$'000</i>	Property investment (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
TURNOVER			
To external customers	109,283	2,255	111,538
RESULT			
Segment results	11,525	1,567	13,092
Unallocated other income			150
Unallocated corporate expenses			(579)
Finance costs			(981)
Profit before taxation			11,682
Income tax expenses			(2,082)
Profit for the period			9,600

3. SEGMENTS INFORMATION (Continued)

Business segments (Continued)

	Six months ended 30 September 2005		
	Manufacture and sales of goods (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
TURNOVER			
To external customers	99,842	1,495	101,337
RESULT			
Segment results	11,034	603	11,637
Unallocated other income			32
Unallocated corporate expenses			(745)
Finance costs			(889)
Profit before taxation			10,035
Income tax expenses			(1,755)
Profit for the period			8,280

Geographical segments

	Six months ended 30 September			
	Revenue by geographical market		Contribution to profit from operations	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Europe	65,735	64,498	6,933	7,128
United States of America	15,796	13,062	1,666	1,443
Hong Kong	6,140	11,631	1,020	966
Other regions in the PRC	7,147	2,705	1,710	1,057
Others	16,720	9,441	1,763	1,043
	111,538	101,337	13,092	11,637
Unallocated other income			150	32
Unallocated corporate expenses			(579)	(745)
Finance costs			(981)	(889)
Profit before taxation			11,682	10,035
Income tax expenses			(2,082)	(1,755)
Profit for the period			9,600	8,280

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Allowance for doubtful debts	–	433
Depreciation and amortization	1,673	1,671
Interests on bank borrowings	980	889
	980	889

5. INCOME TAXES

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Hong Kong Profits Tax	1,800	1,519
Other jurisdictions	282	236
	2,082	1,755

Hong Kong Profits Tax has been calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

There was no material unprovided deferred tax for the interim period (2005: Nil).

6. INTERIM DIVIDEND

At a meeting held on 26 July 2006, the Directors proposed a final dividend of HK1 cent per ordinary share totaling HK\$4,240,001 for the year ended 31 March 2006, which was paid on 12 September 2006 and has been reflected as an appropriation of retained earnings for the six months period ended 30 September 2006.

The Directors do not recommended the payment of any interim dividend for the six months ended 30 September 2006 (2005: Nil).

7. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30 September 2006 of HK\$9,894,000 (2005: HK\$8,218,000) and on 424,000,100 shares (2005: 424,000,100 shares) of the Company in issue during the period.

No diluted earning per share has been presented as there were no potential dilution ordinary shares in issue during the six months ended 30 September 2006 and 2005.

8. DEPOSITS PAID

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Deposits for acquisition of a property in the PRC	18,000	18,000

9. TRADE AND BILLS RECEIVABLES

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Trade receivables	36,327	25,938
Bills receivables	1,607	1,160
	37,934	27,098

The following is an aged analysis:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Within 60 days	29,175	24,665
61-180 days	7,288	2,389
More than 180 days	1,471	44
	37,934	27,098

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 60-150 days.

10. LOANS RECEIVABLE

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Loans advanced for property development project	–	46,710

11. TRADE PAYABLES

The following is an aged analysis:

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Within 60 days	21,663	13,645
61-180 days	24	31
More than 180 days	8	1
	21,695	13,677

12. SHARE CAPITAL

	As at 30 September 2006 (Unaudited) HK\$'000	As at 31 March 2006 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid: 424,000,100 ordinary shares of HK\$0.10 each	42,400	42,400

13. RELATED PARTY TRANSACTIONS

During the period, the following related party transactions took place:

(i) Transaction with directors' related companies:

Name of party	Directors' interest	Nature of transactions	Six months ended 30 September	
			2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Dawnvast Ltd	Mr. Cheng Lok Hing Mr. Cheng Chun Kit	Rental expense	185	185
Techford Development Ltd	Ms. Chan Oi Ling, Maria Olimpia	Rental expense	78	78
Wing Nin Trading Co., Ltd	Family member of Ms. Chan Oi Ling, Maria Olimpia	Rental expense	96	96

(ii) Transaction with a minority shareholder:

Name of party	Nature of transactions	Six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
東莞市橋光實業集團公司 Dongguan City Qiao Guang Industrial Group Company	Rental expense	450	446

Rental expenses represent amounts agreed with reference to the market rate between the respective management of the companies concerned.

FINANCIAL RESULTS

For the six months period ended 30 September 2006, the Group achieved a turnover of approximately HK\$111.5 million, representing an increase of 10% when compared with previous corresponding period.

Profit before taxation and profit attributable to equity holders of the Company for the six months period ended 30 September 2006 amounted to approximately HK\$11.6 million and HK\$9.9 million respectively (2005: HK\$10.0 million and HK\$8.2 million respectively). Such increases in profit were mainly attributable to an increase in turnover of the Group's manufacture and sale activity. Earnings per share for the six months period end 30 September 2006 was HK2.3 cents (2005: HK1.9 cents).

BUSINESS REVIEW AND PROSPECTS

Manufacture and Sale of Photographic, Electrical and Multimedia Accessories

During the period under review, the demand of the Group's products remained strong and healthy and the Group achieved growth in both turnover and profit approximately of HK\$109.2 million and HK\$11.5 million, representing an increase of 9.5% and 4.4% over the last corresponding period.

Europe continued to be the Group's largest market, accounting for approximately 60% of the turnover of the period (2005: 64%). Total export sales to Europe rose to approximately HK\$65.7 million (2005: HK\$64.5 million). The management has good knowledge and confidence in this market and will adhere to its established strategy to further penetrate into this huge market.

In term of product category of photographic, electric and multimedia accessories, the sales of multimedia accessories recorded encouraging growth this period. The Group's sales of multimedia accessories amounted to approximately 43% of the total turnover of this period (2005: 41%). The growth was mainly attributable to the Group's strategy to extend relationships with major multimedia brand manufactures and the positive market response of the Group's manufactured convergence products (textile and electronic combinations).

Property Portfolio Refinement

During this period under review, the Group's property letting income was approximately HK\$2.2 million (2005: HK\$1.5 million), an increased by 50% when compared with the last corresponding period. The growth was mainly attributable to the inclusion of property letting income of a PRC property located in Guangzhou, PRC since the end of July 2006.

Prospects

The management continues to take a down-to-earth approach with a continued focus on new revenue channels in the Group's core business of accessories for photographic, multimedia and electrical products. The increased demand for digital SLR camera bags is helping to maintain a sustainable turnover in the photographic area albeit in a declining market. This is reflected in the turnover for photographic products, which presently makes up 39% of the Group's turnover of the period versus 45% over the last corresponding period. Notably the number one trade show for photographic accessories held every 2 years in Cologne, Germany, was held in September 2006, which led to many customers in the photographic field to hold off their buying decisions until the latter half of 2006 and early 2007. Developments of the other core areas of business are looking well, spawned by increased demand in the wearable electronics field, where the relationships with key players in the market such as Eleksen Ltd (www.eleksen.com) and NXT PLC (www.nxtplc.com) are having an increased impact.

The Group has continued to increase its market share in the United States of America with a positive outlook for all the core business areas for the coming year, in particular with the continued strong demand for iPod® accessories. Having attained an iPod® connector license for its licensed Tonino Lamborghini (www.tlmm.com) brand, the Group will invest conservatively in innovative R&D for wearable electronics. This will allow the Group to offer a wider variety of products and skill sets in wearable electronics field. The Group has seen an expansion in PRC business with more direct deliveries to customers PRC based manufacturing facilities. The Group is actively seeking more business with this supply concept in its home market. Finally, a strong interest in products developed via strategic partnerships for customized photo applications introduced at Photokina in Germany in September 2006 will allow the Group to use its marketing and sales networks to launch new products for the photo industry by Q2 2007. Keeping costs tightly in line with projected turnover, the Group hopes to see a return on its new developments and partnerships by within the coming year.

Following the acquisition completion of a PRC property located in Guangzhou, PRC on 24 July 2006, the property portfolio of the Group in the PRC is expected to accelerate the future growth in line with the promising economic growth of the PRC. The Directors consider that the acquisition will contribute positively to the operating results of the Group in future years. Details of the acquisition are noted in the circular dated 30 June 2006 to the shareholders of the Company.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

As at 30 September 2006, the Group recorded a total bank balances and cash of HK\$18.2 million (as at 31 March 2006 of HK\$44.7 million). Moreover, the Group had current assets of HK\$70.0 million (as at 31 March 2006 of HK\$139.7 million). The Equity attributable to equity holders of the Company was of HK\$214.9 million (as at 31 March 2006 of HK\$190.6 million) and the total bank borrowings was of HK\$37.8 million (as at 31 March 2006 of HK\$24.5 million); and accordingly, the gearing ratio was of 17.5% (as at 31 March 2006 of 12.9%).

Pledge of Assets

As at 30 September 2006, certain of the Group's investment properties, prepaid lease payments, and leasehold land and buildings with carrying value of HK\$61.8 million (as at 31 March 2006 of HK\$56.3 million), were pledged to secure general banking facilities granted to the Group.

Contingent Liabilities

As at 30 September 2006, the Company provided corporate guarantees of HK\$91.3 million (as at 31 March 2006 of HK\$83.3 million) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilized by the subsidiaries as at 30 September 2006 amounted to HK\$38.5 million (as at 31 March 2006 of HK\$24.5 million).

Currency Risk Management

The Group's largest sale market is Europe, which alone accounts for around 60% of the Group's sale turnover. In safeguarding the volatile Euro Dollars currency risk, the management has chosen to adopt a more prudent sales policy by mainly accepting US Dollar quoted sale orders, which in turn the management can maintain a stable currency exchange condition for normal trading business development.

Certain bank loans of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2006, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employee based on their work performance and with reference to prevailing condition of labor markets.

DIRECTORS' INTERESTS IN SECURITIES

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

Long position in issued shares and underlying shares

Name of director	Number of issued ordinary shares held		Percentage of issued share capital of the Company
	Personal interest	Held by controlled corporation (Note)	
Ms. Chan Oi Ling, Maria Olimpia	–	193,340,000	45.6%
Mr. Lam Yu Ho, Daniel	24,376,000	–	5.75%
Mr. Cheng Lok Hing	5,974,000	–	1.41%
Mr. Cheng Chun Kit	6,422,000	–	1.51%

Note: These shares are held by Honeyard Corporation, the entire issued share capital of which is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries.

In addition to the above, each of Ms. Chan Oi Ling, Maria Olimpia and Mr. Lam Yu Ho, Daniel holds 500,000 non-voting deferred shares in Mascotte Investments Limited, a subsidiary of the Company. Honeyard Corporation holds one non-voting deferred share in Newland Kingdom Limited, a subsidiary of the Company.

Save as disclosed above, as at 30 September 2006, other than certain nominee shares in subsidiaries held by Ms. Chan Oi Ling, Maria Olimpia, none of the directors nor their associates had any interests or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of listed companies.

Furthermore, no share options were granted under the Company's share option scheme since its adoption on 21 August 2003. Other than that, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the following persons (other than directors or chief executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital:

Long position in issued shares and underlying shares

Name	Nature of interests	Number of shares	Percentage of shareholding (approximate)
Honeyard Corporation (Note 1)	Beneficial interests	193,340,000	45.60%
Golden Mount Limited (Note 2)	Beneficial interests	106,366,000	25.09%

Note:

(1) These Shares are held by Honeyard Corporation, the entire issued share capital of which is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia, Chairperson of the Company and an executive Director, are discretionary beneficiaries

(2) Golden Mount Limited is a corporation controlled by Mr. Chim Pui Chun.

Save as disclosed above, as at 30 September 2006, no persons (other than directors or chief executive of the Company) had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any options in respect of such capital.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months period ended 30 September 2006.

CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules during the six months period end 30 September 2006 except for the following deviations:

1. Code Provision A.2.1 provides that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company does not at present any officer with the title of CEO, and it deviates from the Code. Ms. Chan Oi Ling, Maria Olimpia is the chairperson and has also carried out the responsibilities of CEO. Ms. Chan possesses essential leadership skills and has extensive knowledge in the business of the Group. The Board considers the present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies.
2. Code Provision A.4.1 provides that non-executive directors should be appointed for specific terms, subject to re-election. The independent non-executive directors ("INEDs") of the Company are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company. Pursuant to Bye-law 87(1) of the current Bye-laws of the Company, each director shall be subject to retirement by rotation at least once every three years at the annual general meeting. This means that the terms of appointment of the directors, including INEDs, cannot exceed three years.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the Code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive directors, namely Mr. Wong Yui Leung, Larry (chairman of audit committee), Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam. The audit committee is principally responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board of the Company.

The unaudited interim financial statements for the six months period ended 30 September 2006 of the Group have been reviewed by the audit committee.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises three independent non-executive directors, namely Mr. Wong Yui Leung, Larry (Chairman of remuneration committee), Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remunerations of the directors and senior management and providing advice and recommendations to the Directors of the Company.

POST BALANCE SHEET EVENT

On 2 November 2006, the Group entered into an agreement with an independent third party to acquire 100% of the issued share capital of Hop Shing Trading Limited (“Hop Shing”), a private limited liability company incorporated under the laws of the British Virgin Islands, for a total consideration of HK\$20,000,000. Hop Shing is principally engaged in holding of investment property and the principal asset of Hop Shing comprises the property situated at No. 4 Hau Wo Street, Kennedy Town, Hong Kong. The acquisition of Hop Shing has been completed on 23 November 2006. Details of the acquisition are noted in the circular dated 27 November 2006 to the shareholders of the Company.

BOARD OF DIRECTORS

As the date of this report, the executive directors of the Company are Ms. Chan Oi Ling, Maria Olimpia, Mr. Lam Yu Ho, Daniel, Mr. Cheng Lok Hing, Mr. Cheng Chun Kit and Ms. Ji Hong and the independent non-executive directors of the Company are Mr. Wong Yui Leung, Larry, Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam.

By order of the Board
Chan Oi Ling, Maria Olimpia
Chairperson

Hong Kong, 20 December 2006