



50 YEARS OF  
ACHIEVEMENT

卓越成就五十載

WORLD'S LEADING  
MACHINE  
MANUFACTURER  
全球最大注塑機生產商之一

## FINANCIAL HIGHLIGHTS

	<b>For the six months ended 30 September</b>		
	<b>2007</b>	2006	Change
	<b>(Unaudited)</b>	(Unaudited)	
<b>RESULTS HIGHLIGHTS</b> <i>(HK\$'000)</i>			
Revenue	<b>1,208,092</b>	1,060,854	14%
Profit before tax	<b>212,393</b>	178,583	19%
Profit attributable to equity holders of the Company	<b>186,337</b>	162,731	15%
Total assets	<b>2,832,799</b>	2,494,435	14%
Shareholders' funds	<b>2,199,651</b>	1,940,564	13%
Issued share capital	<b>62,534</b>	62,169	1%
Net current assets	<b>1,253,593</b>	1,001,817	25%
<b>PER SHARE DATA</b>			
Basic earnings per share <i>(HK cents)</i>	<b>29.8</b>	26.2	14%
Cash dividends per share <i>(HK cents)</i>	<b>8.0</b>	8.0	0%
Net assets per share <i>(HK dollars)</i>	<b>3.5</b>	3.1	13%
<b>KEY FINANCIAL RATIOS</b>			
Return on average shareholders' funds (%)	<b>8.7</b>	8.6	1%
Return on average total assets (%)	<b>6.8</b>	6.5	5%

## CORPORATE INFORMATION

### **Directors**

#### ***Executive Directors***

Dr. Chen CHIANG, GBM (*Chairman*)  
Ms. Lai Yuen CHIANG (*Chief Executive Officer*)  
Mr. Chi Kin CHIANG  
Mr. Stephen Hau Leung CHUNG  
Mr. Sam Hon Wah NG

#### ***Independent Non-executive Directors***

Mr. Johnson Chin Kwang TAN  
Mr. Anish LALVANI  
Mr. Bernard Charnwut CHAN

### **Audit Committee**

Mr. Johnson Chin Kwang TAN (*Chairman*)  
Mr. Anish LALVANI  
Mr. Bernard Charnwut CHAN

### **Remuneration Committee**

Mr. Anish LALVANI (*Chairman*)  
Mr. Bernard Charnwut CHAN  
Ms. Lai Yuen CHIANG

### **Company Secretary**

Ms. Alice Sin Ping LIP

### **Authorised Representatives**

Ms. Lai Yuen CHIANG  
Ms. Alice Sin Ping LIP

### **Auditors**

Ernst & Young

### **Principal Bankers**

BNP Paribas  
CALYON  
Industrial and Commercial Bank of China  
(Asia) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

<b>Principal Share Registrars</b>	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
<b>Branch Share Registrars</b>	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong
<b>Registered Office</b>	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
<b>Head Office &amp; Principal Place of Business</b>	13-15 Dai Wang Street Tai Po Industrial Estate Tai Po, New Territories Hong Kong
<b>Corporate Communications &amp; Investor Relations</b>	Ms. Amy LEUNG Tel: (852) 2663 7125 Fax: (852) 2664 8202 E-mail: amyleung@chenhsong.com.hk Website: www.chenhsong.com.hk
<b>Stock Code</b>	0057

## INTERIM RESULTS

The board of directors (the "Board") of Chen Hsong Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated profit attributable to equity holders of the Company for the six months ended 30 September 2007 amounted to HK\$186,337,000, representing an increase of 15% as compared with the profit attributable to equity holders of HK\$162,731,000 for the corresponding period last year. Basic earnings per share for the six months ended 30 September 2007 was HK29.8 cents, an increase of 14% over the corresponding period in 2006 of HK26.2 cents. These unaudited interim results have been reviewed by the Company's Audit Committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Notes	Six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>REVENUE</b>	2	<b>1,208,092</b>	1,060,854
Cost of sales		<b>(829,704)</b>	(718,743)
Gross profit		<b>378,388</b>	342,111
Other income and gains		<b>17,808</b>	14,198
Selling and distribution expenses		<b>(101,639)</b>	(89,365)
Administrative expenses		<b>(72,589)</b>	(70,032)
Other operating expenses, net		<b>(9,394)</b>	(18,338)
Finance costs		<b>(1,140)</b>	(1,237)
Share of profits less losses of associates		<b>959</b>	1,246
<b>PROFIT BEFORE TAX</b>	3	<b>212,393</b>	178,583
Tax	4	<b>(23,515)</b>	(16,483)
<b>PROFIT FOR THE PERIOD</b>		<b>188,878</b>	162,100
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>186,337</b>	162,731
Minority interests		<b>2,541</b>	(631)
		<b>188,878</b>	162,100
<b>DIVIDEND – INTERIM</b>	5	<b>50,028</b>	49,735
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	6		
Basic (HK cents)		<b>29.8</b>	26.2
Diluted (HK cents)		<b>29.6</b>	26.0

# CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

	Notes	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	658,649	650,172
Prepaid land lease payments		52,202	52,950
Goodwill		94,931	94,931
Interests in associates		370	4,570
Available-for-sale equity investments		124,057	124,057
Deferred tax assets		39,904	36,571
Total non-current assets		<u>970,113</u>	<u>963,251</u>
<b>CURRENT ASSETS</b>			
Inventories		644,684	578,089
Trade and bills receivables	8	813,361	675,640
Deposits, prepayments and other receivables		55,049	49,838
Cash and bank balances		349,592	394,721
Total current assets		<u>1,862,686</u>	<u>1,698,288</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	349,875	300,497
Tax payable		20,478	16,687
Other payables and accruals		215,000	215,245
Bank loans, unsecured		23,740	33,054
Total current liabilities		<u>609,093</u>	<u>565,483</u>
<b>NET CURRENT ASSETS</b>		<u>1,253,593</u>	<u>1,132,805</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,223,706</u>	<u>2,096,056</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		13,322	10,711
<b>NET ASSETS</b>		<u>2,210,384</u>	<u>2,085,345</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued share capital	10	62,534	62,416
Reserves		2,137,117	2,014,962
		<u>2,199,651</u>	<u>2,077,378</u>
<b>Minority interests</b>		<u>10,733</u>	<u>7,967</u>
Total equity		<u>2,210,384</u>	<u>2,085,345</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Notes	Attributable to equity holders of the Company			
		Issued share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000
At 1 April 2006		61,862	490,186	295	49,336
Exchange realignment		–	–	–	–
Total income and expense for the period recognised directly in equity		–	–	–	–
Profit for the period		–	–	–	–
Total income and expense for the period		–	–	–	–
Issue of new shares		307	5,698	–	–
Equity-settled share option arrangements		–	–	–	145
Transfer from retained profits		–	–	–	857
Final dividend for the year ended 31 March 2006	5	–	–	–	–
At 30 September 2006		<u>62,169</u>	<u>495,884</u>	<u>295</u>	<u>50,338</u>
At 1 April 2007		62,416	498,308	295	50,463
Exchange realignment		–	–	–	–
Total income and expense for the period recognised directly in equity		–	–	–	–
Profit for the period		–	–	–	–
Total income and expense for the period		–	–	–	–
Issue of new shares	10	118	1,856	–	–
Equity-settled share option arrangements		–	–	–	126
Final dividend for the year ended 31 March 2007	5	–	–	–	–
At 30 September 2007		<u>62,534</u>	<u>500,164*</u>	<u>295*</u>	<u>50,589*</u>

\* These reserve accounts comprise the consolidated reserves of HK\$2,137,117,000 in the condensed consolidated balance sheet as at 30 September 2007.

**Attributable to equity holders of the Company**

<b>Statutory reserve</b> <i>HK\$'000</i>	<b>General reserve</b> <i>HK\$'000</i>	<b>Exchange fluctuation reserve</b> <i>HK\$'000</i>	<b>Retained profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>	<b>Minority interests</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
21,454	2,351	(16,339)	1,230,112	1,839,257	7,483	1,846,740
-	-	25,664	-	25,664	204	25,868
-	-	25,664	-	25,664	204	25,868
-	-	-	162,731	162,731	(631)	162,100
-	-	25,664	162,731	188,395	(427)	187,968
-	-	-	-	6,005	-	6,005
-	-	-	-	145	-	145
-	-	-	(857)	-	-	-
-	-	-	(93,238)	(93,238)	-	(93,238)
<u>21,454</u>	<u>2,351</u>	<u>9,325</u>	<u>1,298,748</u>	<u>1,940,564</u>	<u>7,056</u>	<u>1,947,620</u>
23,976	2,351	43,732	1,395,837	2,077,378	7,967	2,085,345
-	-	33,891	-	33,891	225	34,116
-	-	33,891	-	33,891	225	34,116
-	-	-	186,337	186,337	2,541	188,878
-	-	33,891	186,337	220,228	2,766	222,994
-	-	-	-	1,974	-	1,974
-	-	-	-	126	-	126
-	-	-	(100,055)	(100,055)	-	(100,055)
<u>23,976*</u>	<u>2,351*</u>	<u>77,623*</u>	<u>1,482,119*</u>	<u>2,199,651</u>	<u>10,733</u>	<u>2,210,384</u>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	<b>80,194</b>	100,134
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(19,169)</b>	(508)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	<b>(107,577)</b>	(165,259)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(46,552)</b>	(65,633)
Cash and cash equivalents at beginning of period	<b>363,613</b>	357,950
Effect of foreign exchange rate changes, net	<b>2,200</b>	2,616
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b><u>319,261</u></b>	<u>294,933</u>
ANALYSIS OF BALANCES OF		
CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>319,261</b>	284,593
Bank deposits with original maturity of less than three months when acquired	–	10,340
	<b><u>319,261</u></b>	<u>294,933</u>

# NOTES TO CONDENSED FINANCIAL STATEMENTS

30 September 2007

## 1. Accounting Policies

The unaudited condensed interim financial statements of the Company and its subsidiaries (the “Group”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation adopted in the preparation of these condensed interim financial statements are consistent with those set out in the Group’s audited financial statements for the year ended 31 March 2007, except that the Group has adopted, for the first time for the current period’s financial statements, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “New HKFRSs”) issued by the HKICPA that are effective for the annual periods commencing on or after 1 January 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above New HKFRSs has had no material impact on the accounting policies of the Group and the methods of the computation in the Group’s condensed interim financial statements.

The HKICPA has also issued a number of new and revised HKFRSs which are not yet effective for the current reporting period. The Group has not early adopted those new and revised HKFRSs in these condensed interim financial statements.

The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

## 2. Revenue and Segment Information

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold during the period, after allowances for returns and trade discounts, excluding intra-group transactions.

An analysis of the Group's segment revenue and results by geographical location of customers is as follows:

	Segment revenue		Segment results	
	from external customers		Six months ended	
	Six months ended		30 September	
	30 September		2007	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
People's Republic of China ("PRC") (including Hong Kong)	<b>848,853</b>	744,235	<b>143,372</b>	155,262
Taiwan	<b>114,547</b>	107,993	<b>13,614</b>	12,329
Other overseas countries	<b>244,692</b>	208,626	<b>81,701</b>	38,451
	<b><u>1,208,092</u></b>	<u>1,060,854</u>	<b><u>238,687</u></b>	<u>206,042</u>
Unallocated income and gains			<b>2,279</b>	2,418
Corporate and unallocated expenses			<b>(28,392)</b>	(29,886)
Finance costs			<b>(1,140)</b>	(1,237)
Share of profits less losses of associates			<b>959</b>	1,246
Profit before tax			<b><u>212,393</u></b>	<u>178,583</u>

Over 90% of the Group's revenue is attributable to the manufacture and sale of plastic injection moulding machines and related products. Therefore, no analysis by business segment is presented.

### 3. Profit before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Cost of inventories sold	<b>829,704</b>	718,743
Depreciation	<b>26,436</b>	27,186
Recognition of prepaid land lease payments	<b>935</b>	858
Loss/(gain) on disposal of items of property, plant and equipment	<b>7</b>	(221)
Provision/(write-back of provision) for inventories, net	<b>628</b>	(3,748)
Interest income	<b>(2,279)</b>	(2,418)

### 4. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the period (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Current:		
Charge for the period		
Hong Kong	-	-
Elsewhere	<b>23,473</b>	19,151
Overprovision in prior periods	-	(1,843)
Deferred	<b>42</b>	(825)
Tax charge for the period	<b>23,515</b>	16,483

## 5. Dividends

	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$0.16 (2006: HK\$0.15) per ordinary share	99,866	92,793
Additional final dividend due to exercise of share options	189	445
	<u>100,055</u>	<u>93,238</u>
Interim dividend declared after the interim period end of HK\$0.08 (2006: HK\$0.08) per ordinary share	<u>50,028</u>	<u>49,735</u>

## 6. Earnings per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the period of HK\$186,337,000 (2006: HK\$162,731,000) and on the weighted average number of 624,525,840 (2006: 621,149,919) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company for the period of HK\$186,337,000 (2006: HK\$162,731,000) and on the weighted average number of 628,665,096 (2006: 626,930,520) ordinary shares, being the weighted average number of 624,525,840 (2006: 621,149,919) ordinary shares in issue during the period as used in the basic earnings per share calculation and the weighted average number of 4,139,256 (2006: 5,780,601) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

## 7. Property, Plant and Equipment

The movements of property, plant and equipment of the Group were as follows:

	<i>HK\$'000</i>
Net carrying amount as at 1 April 2007	650,172
Additions	22,937
Disposals	(27)
Write-offs	(36)
Depreciation provided for the period	(26,436)
Exchange realignment	12,039
	<hr/>
Net carrying amount as at 30 September 2007	<u>658,649</u>

## 8. Trade and Bills Receivables

Trading terms with customers are either cash on delivery, bank bills or on credit. Customers are granted credit at the discretion of the Group, subject to their respective business strength and creditability. The average credit period is 90 days. The Group adopts strict control policies over credit terms and outstanding receivables that serve to minimise credit risk. The carrying amounts of the trade and bills receivables approximate to their fair values.

In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the balance sheet date is as follows:

	<b>30 September 2007 HK\$'000</b>	31 March 2007 HK\$'000
Current	<b>558,614</b>	547,809
1-90 days	<b>179,918</b>	93,341
91-180 days	<b>59,102</b>	19,316
Over 180 days	<b>15,727</b>	15,174
	<hr/> <b>813,361</b> <hr/>	<hr/> 675,640 <hr/>

## 9. Trade and Bills Payables

An ageing analysis of the trade and bills payables as at the balance sheet date is as follows:

	<b>30 September 2007 HK\$'000</b>	31 March 2007 HK\$'000
Current	<b>305,501</b>	244,629
1-90 days	<b>32,952</b>	42,807
91-180 days	<b>481</b>	3,704
Over 180 days	<b>10,941</b>	9,357
	<b><u>349,875</u></b>	<u>300,497</u>

The trade and bills payable are non-interest-bearing and are normally settled at terms ranging from 60 to 90 days. The carrying amounts of the trade and bills payables approximate to their fair values.

## 10. Share Capital

	<b>30 September 2007 HK\$'000</b>	31 March 2007 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b><u>100,000</u></b>	<u>100,000</u>
Issued and fully paid:		
625,345,600 (31 March 2007: 624,163,600) ordinary shares of HK\$0.10 each	<b><u>62,534</u></b>	<u>62,416</u>

## 10. Share Capital *(Continued)*

During the period, the subscription rights attaching to 400,000 and 782,000 share options were exercised at the exercise prices of HK\$1.050 and HK\$1.988 per ordinary share respectively (note 11), resulting in the issue of 1,182,000 ordinary shares of HK\$0.10 each for a total cash consideration, before issue expenses, of approximately HK\$1,974,000 in aggregate.

Details of the movement in the Company's issued ordinary share capital are as follows:

	<b>Number of ordinary shares in issue</b>	<b>Issued share capital</b> <i>HK\$'000</i>	<b>Share premium account</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2007	624,163,600	62,416	498,308	560,724
Share options exercised	1,182,000	118	1,856	1,974
At 30 September 2007	<u>625,345,600</u>	<u>62,534</u>	<u>500,164</u>	<u>562,698</u>

## 11. Share Options

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 August 2002, the share option scheme adopted by the Company on 30 August 1996 (the "1996 Scheme") was terminated and a new share option scheme (the "2002 Scheme") was adopted. Upon termination of the 1996 Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the 1996 Scheme remained in force and all share options granted prior to such termination continued to be valid and exercisable in accordance therewith. Share options under the 1996 Scheme and the 2002 Scheme do not confer rights on the holders to dividends or to vote at shareholders' meeting.



## 11. Share Options (Continued)

Following is the summary of the movements of the outstanding share options under the 1996 Scheme and the 2002 Scheme during the period:

Name or category of participants	Number of share options				At 30 September 2007	Date of grant*	Exercise period	Exercise price per share**
	At 1 April 2007	Granted during the period	Exercised during the period	Forfeited during the period				
<b>Director or substantial shareholder</b>								
Chen CHIANG	1,000,000	-	-	-	<b>1,000,000</b>	11/3/2003	11/3/2008 – 10/3/2013	1.988
Lai Yuen CHIANG	668,000	-	-	-	<b>668,000</b>	11/3/2003	11/3/2008 – 10/3/2013	1.988
Chi Kin CHIANG	400,000	-	(400,000)	-	-	31/8/2001	31/8/2006 – 28/2/2009	1.050
	334,000	-	(334,000)	-	-	11/3/2003	11/3/2006 – 10/3/2013	1.988
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2008 – 10/3/2013	1.988
	1,068,000	-	(734,000)	-	<b>334,000</b>			
Stephen Hau Leung CHUNG	400,000	-	-	-	<b>400,000</b>	31/8/2001	31/8/2006 – 28/2/2009	1.050
	332,000	-	-	-	<b>332,000</b>	11/3/2003	11/3/2004 – 10/3/2013	1.988
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2006 – 10/3/2013	1.988
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2008 – 10/3/2013	1.988
	1,400,000	-	-	-	<b>1,400,000</b>			
Sam Hon Wah NG	334,000	-	(334,000)	-	-	11/3/2003	11/3/2007 – 10/3/2013	1.988
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2009 – 10/3/2013	1.988
	668,000	-	(334,000)	-	<b>334,000</b>			

## 11. Share Options (Continued)

Name or category of participants	Number of share options				Date of grant*	Exercise period	Exercise price per share**	
	At 1 April 2007	Granted during the period	Exercised during the period	Forfeited during the period				At 30 September 2007
<b>Director or substantial shareholder</b>								
Chen Hsong Investments Limited	600,000	-	-	-	600,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
Sub-total	5,404,000	-	(1,068,000)	-	4,336,000			
<b>Employees (other than directors)</b>								
In aggregate	10,000	-	-	-	10,000	11/3/2003	11/3/2004 – 10/3/2013	1.988
	38,000	-	(14,000)	-	24,000	11/3/2003	11/3/2006 – 10/3/2013	1.988
	100,000	-	(100,000)	-	-	11/3/2003	11/3/2007 – 10/3/2013	1.988
	726,000	-	-	-	726,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
	110,000	-	-	-	110,000	11/3/2003	11/3/2009 – 10/3/2013	1.988
Sub-total	984,000	-	(114,000)	-	870,000			
Total	6,388,000	-	(1,182,000)	-	5,206,000			

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

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

## 11. Share Options (Continued)

Notes:

- The weighted average closing prices of the shares in which the share options were exercised by the participants of the share option schemes are as follows:

Name or category of participants	Weighted average closing prices	
	Immediately before	At the date
	the date of exercise	of exercise
	<i>HK\$</i>	<i>HK\$</i>
Chi Kin CHIANG	5.38	5.38
Sam Hon Wah NG	6.60	6.70
Employees (other than directors)	6.70	6.67

- The share options granted under the 2002 Scheme are for a consideration of HK\$1.00 per grant.
- The 1,182,000 share options exercised during the period resulted in the issue of 1,182,000 ordinary shares of HK\$0.10 each of the Company and new share capital of approximately HK\$118,000 and share premium of approximately HK\$1,856,000 (before issue expenses), as detailed in note 10 to the financial statements.
- As at 30 September 2007, the Company had 400,000 (31 March 2007: 800,000) and 4,806,000 (31 March 2007: 5,588,000) share options outstanding under the 1996 Scheme and the 2002 Scheme respectively. The exercise in full of the share options outstanding would, under the present capital structure of the Company, result in the issue of 5,206,000 additional ordinary shares of HK\$0.10 each of the Company, and additional share capital of approximately HK\$521,000 and share premium of approximately HK\$9,454,000 (before issue expenses).

## 12. Contingent Liabilities

As at the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	<b>30 September</b>	31 March
	<b>2007</b>	2007
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Guarantees given to financial institutions in connection with facilities granted to certain third parties, at the maximum	<b><u>100,347</u></b>	<u>96,624</u>

### 13. Commitments

As at 30 September 2007, the Group had capital commitments, which were contracted but not provided for, in respect of the construction of industrial buildings in the Mainland China amounting to approximately HK\$20,025,000 (31 March 2007: Nil).

As at 30 September 2007, the Group had capital commitments, which were contracted but not provided for, in respect of the purchase of property, plant and equipment in the Mainland China amounting to approximately HK\$19,380,000 (31 March 2007: HK\$1,111,000).

As at 30 September 2007, the Group's wholly-owned subsidiaries in the Mainland China and Hong Kong had capital commitments, which were contracted but not provided for, in respect of investments in certain of its wholly-owned subsidiaries in the Mainland China amounting to approximately HK\$44,470,000 (31 March 2007: HK\$46,207,000).

### 14. Related Party Transactions

- (i) During the period, the Group purchased raw materials amounting to HK\$25,220,000 (2006: HK\$18,943,000) from an associate at prices and on terms similar to those offered by unrelated suppliers of the Group.
- (ii) Compensation of key management personnel of the Group:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>18,917</b>	17,521
Post-employment benefits	<b>41</b>	42
Share-based payments	<b>127</b>	141
	<b>19,085</b>	17,704

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK8 cents (2006: HK8 cents) per ordinary share for the six months ended 30 September 2007 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 31 December 2007. The interim dividend declared will be paid on or about Wednesday, 9 January 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Thursday, 27 December 2007 to Monday, 31 December 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 December 2007.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Business Performance**

The Group registered a 14% growth in total turnover during the six months ended 30 September 2007, as compared to the same period of last year, to HK\$1,208 million (2006: HK\$1,061 million). Profit attributable to equity holders and basic earnings per share also increased by 15% and 14% respectively to reach HK\$186 million (2006: HK\$163 million) and HK29.8 cents (2006: HK26.2 cents) respectively. The Board has declared an interim dividend of HK8 cents per share.

As a direct continuation of the robust peak season experienced during the end of the last financial year, general market conditions during the first quarter of this financial year were once again strong and robust, especially for some industries such as household appliances, toys, electronics and automotive accessories. Consequently, the Group successfully achieved its double-digit growth target for the first quarter.

Nevertheless, during the second quarter, a series of unexpected external events affected the general market environment and posed severe impacts on exporters based in China. These include the elimination or reduction of export VAT rebates for plastic products as well as the requirement of cash deposits as guarantee on certain imported raw materials for “reprocessors,” both announced by the Chinese government in July. Occurring at the same time were a number of large-scale recalls of toys “made in China” in the European and the U.S. markets, leading to the Chinese government’s suspension of the export licenses of more than 500 domestic toy manufacturers. In addition, the Chinese government tightened its austerity measures several times during the second quarter by raising interest rates and bank reserve requirement ratios, resulting in liquidity tightening in the domestic economy and a severe credit crunch. Furthermore, international crude oil prices shot above US\$80 per barrel within the same period (almost touching US\$100 in November), causing the price of plastic resins to rise in tandem.

Despite these adverse events, the Group still managed to successfully capture much market share and register significant growth in other, less-impacted industries (such as automotive accessories and household appliances). Together with general market acceptance of the new range of higher-end, high-technology product lines and also rapid growth in sales of large-tonnage machines, these successes were enough to propel the Group to achieve a 14% overall growth rate, by partially making up for the decline of the toy and other export industries.

## Market Analysis

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2007 is as follows:

<b>Customer Location</b>	<b>2007</b> <i>(HK\$ million)</i>	2006 <i>(HK\$ million)</i>	<i>Change</i>
China (including Hong Kong)	<b>849</b>	744	+14%
Taiwan	<b>114</b>	108	+6%
Other overseas countries	<b>245</b>	209	+17%
	<b>1,208</b>	<b>1,061</b>	<b>+14%</b>

Despite massive impacts from external events during the period under review, the Group still managed to register strong turnover growth in China of 14% to HK\$849 million (2006: HK\$744 million). This achievement was partially due to extremely robust market conditions during the first quarter when the Group’s China sales growth achieved the target of 20%.

However, without forewarning, the Chinese government raised interest rates and bank reserve requirement ratios several times in rapid sequence during the second quarter in an attempt to further enhance austerity tightening in the country. The resultant credit crunch aggravated already-tight liquidity in the economy, and together with sky-rocketing plastic resin prices driven by records-breaking crude oil price levels during the second quarter, the liquidity of small and medium sized customers was severely affected, resulting in a significant blow to market purchasing power.

Almost at the same time, in July, the Chinese government announced a series of new policies focused on its ever-expanding current account surplus. Among them, the reduction of export VAT rebates for plastic goods and imported raw material guarantees levied on “reprocessors” had the most severe impacts on export activities. Export VAT rebates for plastic goods were reduced to 7%, 4% or even 0% depending on the customer classifications, and since the policy came into effect during the middle of the export season, many of the Group’s export-oriented customers were stacked with massive losses. This, combined with the impacts of rapidly-rising plastic resin prices, in turn forced many export-oriented customers to delay or even abandon capital investment plans in order to conserve cash. Imported raw material guarantees were mainly levied on “reprocessors,” made up primarily of foreign-invested export-oriented manufacturers from Hong Kong and Taiwan. Under the new policy, even small to medium-sized factories were ordered to put up tens of millions of Renminbi of guarantee monies, resulting in a sudden and severe cash crunch that directly hampered machine purchase activities. These two significant policies together affected the Group’s core exporting customers in China and caused a double-digit setback of turnover growth (compared to forecast) during the second quarter.

Adding to the suffering was a blizzard of international “made-in-China” toy recall incidents starting from August, completing the rout of the China toy exports industry. The series of toy recalls did not only mean massive potential liabilities to domestic toy manufacturers, they also destroyed confidence and future prospects of an entire industry, resulting in an almost complete dearth of machine purchases. The toy industry traditionally accounted for around 15% of total sales of the Group, and overall sales to this industry during the first half declined from the same period last year.

Even when faced with such adverse market conditions during the second quarter, the Group managed to capture new market share in other domestic industries to make up for impacts sustained by the above-mentioned matters. For instance, the Group started an aggressive campaign to penetrate certain high-growth domestic industries (such as household appliances and automotive accessories) with stellar results. In addition, increased production capacity for large-tonnage machines also helped contribute to the Group’s 14% overall growth rate, with large-tonnage machine sales growing by over 40%.

The market in Taiwan developed evenly according to expectations, registering 6% growth to HK\$114 million (2006: HK\$108 million). Significant growth was seen in high-tech industries (such as mobile phones, electronics, computer supplies etc.), with most traditional consumer products already migrated to China. The Group expects that this high-tech shift will continue and is fully confident in capturing this market with its high-end product offerings.

Developing countries remain the key growth driver for the international market, especially in India, Middle East, South America and Eastern Europe. These countries with rapid-growing domestic economies and consumer consumption, and no longer shy to procure from China, were behind the Group's remarkable 17% growth in international sales to HK\$245 million (2006: HK\$209 million). As certain countries in these developing regions are beginning to transit into middle-class consumption patterns, their demands for injection moulding machines are also moving from low-cost, low-end models to higher-performance, middle-tier products, which is the traditional stronghold of the Group.

## **Development of New Technologies and New Products**

Ever since the launch of the "Ai" series of advanced networking computer controllers in the beginning of the year amid much praise and wide acceptance in the marketplace, these in-house-designed controllers have started to rapidly replace the old generation of controllers in all of the Group's products. In the second quarter, more than 80% of the Group's production volume was equipped with the new controllers, with total conversion anticipated by the end of this financial year. The new "Ai" controllers are manufactured using the latest SMT technologies, which are faster, more accurate, more precise, and packed with advanced features including a range of unique intelligent diagnostic and preventive maintenance functions. They also integrate completely with the new iChen™ Wireless networking technology, which makes large-scale wireless networking technology available to the masses, allowing large and small customers alike to enjoy the benefits of networked shop-floor management in a simple and cost-effective manner. Needless to say, this combination has become extremely popular.

In the large-tonnage machines area, the Group has focused on optimizing the design of its traditional production offerings and expanding production capacity, allowing larger penetration into industries that require large-tonnage machines (such as automotive accessories) which in turn fueled the 40% sales growth achieved. In addition, a group of large, international customers was invited to observe the operating trial of the newly-developed two-platen large-tonnage product line (the SUPERMASTER SP-series), which it passed with flying colors. Because the all-new design of this product series enables unprecedented price-performance levels at high-end specifications, numerous orders were quick in signing after the successful demonstration. The new "SP-series" not only signifies



the Group's R&D powers, it is also expected to become the core driver of significant future growth in the large-tonnage machines market. The Group also successfully broke through its previous 500 mm per second injection speed limit to launch the "Ai/1000" series of high-speed machines with injection speed reaching 1,000 mm per second – long be the exclusive realm of high-end international brands. This new series of high-speed machines is perfect for the manufacturing of extremely thin, flat, and precise products (such as mobile phones, battery casings, notebook computers etc.).

In addition, the second-generation of All-Electric machine platform co-developed with world servo-authority Moog Inc. has started a series of successful field trials with a number of satisfied customers. The heavily-patented design successfully resolved a number of technical problems with traditional all-electric machines, allowing these machines to be used to produce a much wider range of products (such as those thin-walled, high-precision parts requiring high injection speed, high injection pressure, or long holding periods). The Group believes that this new all-electric product offering can easily hold its own in a market dominated by high-end Japanese and European brands, and is a strong indication that the Group has reached world-class technology levels.

## Liquidity and Financial Conditions

As at 30 September 2007, the Group maintained a bank balance of HK\$350 million (2006: HK\$321 million), an increase of HK\$29 million over the same date of last year.

As at 30 September 2007, the Group had bank borrowings of HK\$24 million (2006: HK\$34 million), which represented a decrease of HK\$10 million over the same date of last year. The bank borrowings were mainly short-term bank facilities that were used as working capital by the subsidiaries of the Group.

It is the policy of the Group to adopt a consistent financial management strategy and maintain sufficient liquidity to meet the funding requirement of the Group's investments and operations. As at 30 September 2007, net current assets of the Group were HK\$1,254 million (2006: HK\$1,002 million), which represented a 25% increase over the same date of last year.

## Treasury and Foreign Exchange Management

The Group adopts a conservative and centralised approach in managing its funding. Funds, primarily denominated in Hong Kong and United States dollars, and Renminbi, are normally placed with banks in short to medium term deposits and other secure treasury investments for higher yield.

For foreign exchange management, the Group always adopts a conservative policy and endeavours to reduce the foreign currency risk exposure on its foreign currency investments with appropriate levels of borrowings in corresponding foreign currencies. As at 30 September 2007, the Group had total foreign currency borrowings equivalent to HK\$24 million (2006: HK\$34 million). Foreign currency risk exposure on certain volatile foreign currencies is normally covered by forward exchange contracts.

## **Human Resources Development**

As at 30 September 2007, the Group had approximately 3,600 (2006: 3,400) employees. The Group offers good remuneration and welfare packages to its employees and maintains market-competitive pay levels. Employee promotions and pay are rewarded on individuals as well as the results performance of the Group. Share options of the Company are granted to selected employees of the Group for rewarding and retaining talents.

The Group conducts regular programmes, including comprehensive educational and professional training, and social activities counseling, to its employees to enhance staff quality, standards of professional knowledge and teamwork spirit.

## **Outlook of the Second Half**

International crude oil prices that started rising rapidly in September, almost touching a high of US\$100 per barrel, are likely to continue to hamper market confidence. In addition, steel prices in China also started to climb sharply during the third quarter which slightly increased the production cost of the Group. However, the Group is confident that, through improvements in efficiency and tighter cost control measures, margin impacts of steel price increases can be minimized.

Shocks generated by the series of export-control policies introduced by the Chinese government and the adverse impacts from the toy recalls are by now fully absorbed and considered by the market. Even though the impacts of new austerity tightening measures continue to affect credit availability, and liquidity remains tight, the Group can anticipate a strong market rebound during the second half of the financial year (especially the fourth quarter).

Although adverse conditions in the market should continue for the next quarter or two, the Group shall endeavour to maintain a solid growth rate through new markets, new products, and aggressive new marketing strategies.

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

At 30 September 2007, the number of issued ordinary shares of the Company was 625,345,600; and the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register of the Company 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (a) Long position in shares and underlying shares of the Company

Name of director	Nature of interest	Interest in ordinary shares	Interest in underlying shares*	Total	Notes	Approximate percentage of the issued ordinary shares
Chen CHIANG	Personal	2,000,000	1,000,000	3,000,000	(1)	0.48%
	Other	397,413,620	600,000	398,013,620	(3)	63.65%
Lai Yuen CHIANG	Personal	4,332,000	668,000	5,000,000	(1)	0.80%
Chi Kin CHIANG	Personal	1,744,000	334,000	2,078,000	(1)	0.33%
Stephen Hau Leung CHUNG	Personal	–	1,400,000	1,400,000	(1)	0.22%
Sam Hon Wah NG	Personal	–	334,000	334,000	(1)	0.05%
Johnson Chin Kwang TAN	Personal	484,000	–	484,000	(1)	0.08%
Anish LALVANI	Personal	220,000	–	220,000	(1)	0.04%

\* The interests in underlying shares of equity derivatives represent interests in options granted under the Company's share option schemes of which they were unissued shares. The details of such interests are set out in note 11 to the financial statements.

**(b) Long position in shares of associated corporations**

- (i) Interests in ordinary shares in Chen Hsong Investments Limited (“CH Investments”):

<b>Name of director</b>	<b>Nature of interest</b>	<b>Capacity</b>	<b>Interest in shares</b>	<b>Notes</b>	<b>Approximate percentage of the issued shares of CH Investments</b>
Chen CHIANG	Other	Founder of discretionary trusts	66,044,000	(2)	84.42%
Lai Yuen CHIANG	Personal	Beneficial owner	1,216,000	(1)	1.55%
	Other	Eligible beneficiary of a discretionary trust	7,823,700	(4)	10.00%
Chi Kin CHIANG	Personal	Beneficial owner	1,220,000	(1)	1.56%
	Other	Eligible beneficiary of a discretionary trust	7,823,700	(5)	10.00%

- (ii) Dr. Chen CHIANG, a director of the Company, is deemed to be interested in shares and paid-up capital of the following associated corporations:

<b>Name of associated corporation</b>	<b>Interest in shares/paid-up capital</b>	<b>Notes</b>	<b>Approximate percentage of the relevant class of issued shares/paid-up capital of associated corporation</b>
Chiangs’ Industrial Holdings Limited	1 redeemable share	(3)	100.00%
Equaltex Investment Limited	2 ordinary shares	(3), (6)	100.00%
Gondmyne Limited	100,000 ordinary shares	(3), (6)	100.00%
Desee Limited	2 ordinary shares	(3), (7)	100.00%
Desko Limited	2 ordinary shares	(3), (7)	100.00%
Goman Limited	2 ordinary shares	(3), (7)	100.00%
Koyoki Limited	2 ordinary shares	(3), (7)	100.00%
Mikia Limited	2 ordinary shares	(3), (7)	100.00%
Mogin Limited	2 ordinary shares	(3), (7)	100.00%
Potachi Limited	2 ordinary shares	(3), (7)	100.00%
Parot Limited	2 ordinary shares	(3), (7)	100.00%

Name of associated corporation	Interest in shares/ paid-up capital	Notes	Approximate percentage of the relevant class of issued shares/paid-up capital of associated corporation
Rikon Limited	2 ordinary shares	(3), (7)	100.00%
Semicity Limited	2 ordinary shares	(3), (7)	100.00%
Sibeland Limited	2 ordinary shares	(3), (7)	100.00%
Sumei Limited	2 ordinary shares	(3), (7)	100.00%
Granwich Limited	1 ordinary share	(3), (6)	100.00%
Hong Kong Cad-Cam Services Limited	52,570,000 ordinary shares	(3), (6)	75.10%
Kadom Limited	2 ordinary shares	(3), (6)	100.00%
Keyset Development Limited	8 ordinary shares	(3), (6)	80.00%
Callan (China) Limited	54 ordinary shares	(3), (8)	84.38%
Shanghai Ciro's Real Estate Co., Ltd.	US\$33,593,200 paid-up capital	(3), (8)	67.19%
Pro-Team Pacific Limited	1 ordinary share	(3), (6)	100.00%
Tatiara Investment Company Limited	2 ordinary shares	(3), (6)	100.00%
Chen Hsong Industrial Trading Company Limited	2 non-voting deferred shares	(3), (6)	100.00%
Chen Hsong Logistics Services Company Limited	5,000,000 non-voting deferred shares	(3), (6)	100.00%
Chen Hsong Machinery Company, Limited	50,000,000 non-voting deferred shares	(3), (6)	100.00%
Chen Hsong (PRC) Investment Company Limited	2 non-voting deferred shares	(3), (6)	100.00%

*Notes:*

- (1) Such interests are held in the capacity as beneficial owner.
- (2) This represents the collective interest indirectly held by Cititrust (Bahamas) Limited, trustee of two discretionary trusts, namely, The Chiang Chen Industrial Charity Foundation ("Charity Foundation") and The Chiangs' Family Foundation ("Family Foundation"), which respectively hold 74.42% and 10% of the issued share capital of CH Investments. By virtue of the SFO, Dr. Chen CHIANG is deemed to be interested in the aforesaid discretionary trusts as he is the settlor of both discretionary trusts and may be regarded as founder of such discretionary trusts.

- (3) Chiangs' Industrial Holdings Limited holds 74.42% controlling interest in CH Investments, in turn, Chiangs' Industrial Holdings Limited is wholly-owned by Cititrust (Bahamas) Limited. Cititrust (Bahamas) Limited being the trustee of the Charity Foundation in which, by virtue of the SFO, Dr. Chen CHIANG is deemed to be interested as he is the settlor of the Charity Foundation and may be regarded as founder of the Charity Foundation.
- (4) Such interests were held by the Family Foundation and Ms. Lai Yuen CHIANG is deemed to be interested under the SFO by virtue of her being one of the eligible beneficiaries of the Family Foundation.
- (5) Such interests were held by the Family Foundation and Mr. Chi Kin CHIANG is deemed to be interested under the SFO by virtue of him being one of the eligible beneficiaries of the Family Foundation.
- (6) Such interests are held by CH Investments.
- (7) Such interests are indirectly held by CH Investments through Gondmyne Limited.
- (8) CH Investments holds 80% controlling interest in Keyset Development Limited which holds 84.38% controlling interest in Callan (China) Limited. Callan (China) Limited holds 67.19% controlling interest in Shanghai Ciro's Real Estate Co., Ltd..

Save as disclosed above, at 30 September 2007, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Details of share options granted to or exercised by the directors or chief executive of the Company during the six months ended 30 September 2007 and their outstanding balances at 30 September 2007 are set out in note 11 to the financial statements.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to arrangements to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate, and none of the directors, chief executive or their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2007, so far as is known to the directors and chief executive of the Company, the interests or short positions of substantial shareholders and other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

### Long position in shares and underlying shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	Number of underlying shares*	Total	Notes	Approximate percentage of the issued ordinary shares
CH Investments	Beneficial owner	397,413,620	600,000	398,013,620	(1)	63.65%
Chiangs' Industrial Holdings Limited	Interest of controlled corporation	397,413,620	600,000	398,013,620	(1)	63.65%
Cititrust (Bahamas) Limited	Trustee	397,413,620	600,000	398,013,620	(1)	63.65%
Chen CHIANG	Founder of discretionary trust	397,413,620	600,000	398,013,620	(1), (2), (3)	63.65%
	Beneficial owner	2,000,000	1,000,000	3,000,000	(3)	0.48%
Schroder Investment Management (Hong Kong) Limited	Investment manager	36,896,000	–	36,896,000	–	5.90%
Commonwealth Bank of Australia	Interest of controlled corporation	31,298,000	–	31,298,000	(4)	5.01%

\* *The interests in underlying shares of equity derivatives represented interests in options granted under the Company's share option scheme of which they were unissued shares.*

*Notes:*

- (1) This represents the same parcel of shares held by CH Investments. Cititrust (Bahamas) Limited is deemed to have interest in the relevant shares and underlying shares by virtue of being the trustee of the Charity Foundation, the relevant shares and underlying shares are held through its controlled corporation, Chiangs' Industrial Holdings Limited which holds 74.42% controlling interest in CH Investments.
- (2) The relevant shares and underlying shares are deemed to be interested by Dr. Chen CHIANG by virtue of the SFO as he is the settlor of the Charity Foundation and he may be regarded as the founder of the Charity Foundation.
- (3) Ms. Jwung Hwa MA, being the spouse of Dr. Chen CHIANG, in the capacity of interest of spouse, is deemed to be interested in the relevant shares and underlying shares held by Dr. Chen CHIANG by virtue of the SFO.
- (4) These shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

Save as disclosed above, at 30 September 2007, no other parties were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares and underlying shares of the Company.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2007, except for Code Provision A.4.2, as the chairman and managing director of the Company shall not be required to retire by rotation according to the provision contained in the Chen Hsong Holdings Limited Company Act, 1991 of Bermuda.

## **COMPLIANCE WITH THE MODEL CODE AND THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code") on terms no less exacting than the required standard set out in the Model Code. The Company, having made specific enquiry of all directors, confirms that the directors have complied with the required standards set out in the Model Code and the Code for the period under review.



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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2007.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2007.

By Order of the Board

**Chen CHIANG**

*Chairman*

Hong Kong, 27 November 2007

