



NATIONAL ELECTRONICS HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

INTERIM REPORT 2007

2007 INTERIM REPORT

The board (“Board”) of directors (“Directors”) of National Electronics Holdings Limited (“Company”) would like to present the interim results of the Company and its subsidiaries (together, “Group”) for the six months ended 30 September 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

		Six months ended 30 September	
		2007	2006
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	570,707	565,002
Cost of sales		(501,604)	(501,375)
Gross profit		69,103	63,627
Other income	4	37,940	19,471
Increase in fair value of investment properties	9	21,798	—
Distribution costs		(4,510)	(5,535)
Administrative expenses		(42,475)	(48,904)
Finance costs	5	(14,114)	(9,746)
Gain on disposal of subsidiaries		—	64,595
Gain on disposal of an investment property		8,929	—
Share of results of associates		—	(37)
Profit before taxation	6	76,671	83,471
Income tax expenses	7	(3,958)	(2,541)
Profit for the period		72,713	80,930
Dividend:			
2007 final dividend paid of 2.0 HK cents (2006: 1.5 HK cent) per ordinary share		20,638	15,967
Earnings per share – Basic	8	7.05 cents	7.59 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

		30 September 2007 (unaudited) HK\$'000	31 March 2007 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties	9	661,000	345,000
Property, plant and equipment		77,307	72,074
Prepaid lease payments		42,527	42,458
Deposits paid for acquisition of investment properties		18,880	18,000
Interests in associates		16,441	13,428
Available-for-sale investments		17,820	17,820
		<hr/>	<hr/>
		833,975	508,780
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		164,798	155,892
Prepaid lease payments		674	639
Investment held for trading		3,989	3,937
Inventory of unsold properties		103,413	100,739
Properties under development for sale		1,078,676	830,940
Deposits held in trust for property under development for sale		16,011	5,704
Bills receivables	10	12,000	11,000
Trade receivables, deposits and prepayments	10	128,384	100,817
Amounts due from associates		139,567	17,464
Tax recoverable		—	1,273
Bank balances and cash		118,843	188,642
		<hr/>	<hr/>
		1,766,355	1,417,047
		<hr/>	<hr/>

		30 September	31 March
		2007	2007
		(unaudited)	(audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT LIABILITIES			
Trade payables and accrued expenses	11	119,207	164,309
Bills payables	11	93,245	88,402
Amount due to a related party		—	2,216
Taxation payable		896	1
Derivative financial instruments		334	841
Obligations under finance leases		2,973	2,548
Deposits received from sale of properties under development		244,812	162,637
Deposits received for disposal of inventory of unsold properties		18,735	—
Bank loans		1,027,680	660,304
		<hr/>	<hr/>
		1,507,882	1,081,258
		<hr/>	<hr/>
NET CURRENT ASSETS		258,473	335,789
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,092,448	844,569
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital		102,642	103,351
Reserves		443,855	402,265
		<hr/>	<hr/>
		546,497	505,616
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Provision for long service payments		3,779	3,779
Obligations under finance leases		3,897	3,041
Bank loans		530,997	325,656
Deferred tax liabilities		7,278	6,477
		<hr/>	<hr/>
		545,951	338,953
		<hr/>	<hr/>
		1,092,448	844,569
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Investment		Contributed surplus <i>HK\$'000</i>	Capital		Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Exchange reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>		redemption reserve <i>HK\$'000</i>			
At 1 April 2006	107,590	22,786	(4,096)	5,028	66,142	21,730	206,558	425,738	
Exchange difference not recognised in the consolidated income statement	—	—	(2,415)	—	—	—	—	(2,415)	
Net expense recognised directly in equity	—	—	(2,415)	—	—	—	—	(2,415)	
Profit for the period	—	—	—	—	—	—	80,930	80,930	
Total recognised income and expense for the period	—	—	(2,415)	—	—	—	80,930	78,515	
Dividend paid	—	—	—	—	—	—	(15,967)	(15,967)	
Repurchase of own shares	(2,309)	—	—	—	—	2,309	(7,286)	(7,286)	
At 30 September 2006	105,281	22,786	(6,511)	5,028	66,142	24,039	264,235	481,000	
At 1 April 2007	103,351	22,786	(3,938)	6,678	66,142	25,969	284,628	505,616	
Exchange difference not recognised in the consolidated income statement	—	—	(7,962)	—	—	—	—	(7,962)	
Net expense recognised directly in equity	—	—	(7,962)	—	—	—	—	(7,962)	
Profit for the period	—	—	—	—	—	—	72,713	72,713	
Total recognised income and expense for the period	—	—	(7,962)	—	—	—	72,713	64,751	
Dividend paid	—	—	—	—	—	—	(20,638)	(20,638)	
Repurchase of own shares	(709)	—	—	—	—	709	(3,232)	(3,232)	
At 30 September 2007	102,642	22,786	(11,900)	6,678	66,142	26,678	333,471	546,497	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Six months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash (used in) generated from operating activities	(409,415)	142,753
Net cash used in investing activities	(176,092)	(157,134)
Net cash generated from financing activities	515,708	90,326
Net (decrease) increase in cash and cash equivalents	(69,799)	75,945
Cash and cash equivalents at 1 April	188,642	118,895
Cash and cash equivalents at 30 September	118,843	194,840
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	118,843	195,105
Bank overdrafts	—	(265)
	118,843	194,840

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

(1) BASIS OF PREPARATION

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

(2) PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the preparation of this interim condensed consolidated financial statements are consistent with those used in the the Group’s annual financial statements for the year ended 31 March 2007, except that the Group has adopted all the new or revised standards, amendment or interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year commencing on 1 April 2007. The adoption of these new HKFRSs did not have material impact on the results and financial position of the Group.

(3) SEGMENT INFORMATION

The following is an analysis of the Group's revenue and result by principal activities and geographical segments for the six months ended 30 September 2007 and 2006:

Business Segments

2007

	Manufacture, assembly and sale of electronic watches <i>HK\$'000</i>	Trading of watch movements and watch parts <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	171,580	396,234	327	2,566	—	570,707
Inter-segment sales	—	1,490	—	—	(1,490)	—
Total revenue	<u>171,580</u>	<u>397,724</u>	<u>327</u>	<u>2,566</u>	<u>(1,490)</u>	<u>570,707</u>

Inter-segment sales are charged at cost.

RESULT

Segment result	<u>8,682</u>	<u>15,206</u>	<u>5,252</u>	<u>22,756</u>	<u>—</u>	51,896
Interest income						2,480
Unallocated other income (corporate expenses)						27,480
Finance costs						(14,114)
Gain on disposal of an investment property						<u>8,929</u>
Profit before taxation						76,671
Income tax expenses						<u>(3,958)</u>
Profit for the period						<u>72,713</u>

2006

	Manufacture, assembly and sale of electronic watches <i>HK\$'000</i>	Trading of watch movements and watch parts <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	188,595	332,828	245	43,334	—	565,002
Inter-segment sales	—	2,070	—	—	(2,070)	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>188,595</u>	<u>334,898</u>	<u>245</u>	<u>43,334</u>	<u>(2,070)</u>	<u>565,002</u>

Inter-segment sales are charged at cost.

RESULT

Segment result	<u>790</u>	<u>10,064</u>	<u>60,528</u>	<u>14,552</u>	<u>—</u>	85,934
Interest income						2,771
Unallocated other income (corporate expenses)						4,549
Finance costs						(9,746)
Share of results of associates	—	—	(37)	—	—	<u>(37)</u>
Profit before taxation						83,471
Income tax expenses						<u>(2,541)</u>
Profit for the period						<u>80,930</u>

Geographical Segments

The Group's main operations are located in Hong Kong, North America and Europe.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong and other regions in the People's Republic of China	404,430	380,953
North America	77,059	112,290
Europe	87,318	70,845
Others	1,900	914
	<u>570,707</u>	<u>565,002</u>

(4) OTHER INCOME

	Six months ended 30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	2,480	2,771
Gain on disposal of property, plant and equipment	219	1,279
Gain on fair value changes of investment held for trading	52	172
Management fee income received from an associate	636	636
Exchange gain, net	31,287	11,803
Sundry income	3,266	2,810
	<u>37,940</u>	<u>19,471</u>

(5) FINANCE COSTS

	Six months ended 30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Amount due to a related party	25	174
Bank loans and overdrafts		
– wholly repayable within five years	31,218	15,281
– not wholly repayable within five years	3,272	5,853
Obligations under finance leases	212	219
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Total borrowing costs	34,727	21,527
Less: Amount capitalised to properties under development for sale	(20,613)	(11,781)
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	14,114	9,746
	<hr/> <hr/>	<hr/> <hr/>

Borrowing costs capitalised during the period are calculated by applying a capitalisation rate of 7% (2006: 6%) to expenditure on properties under development for sale.

(6) PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Allowance for inventories	12,114	11,443
Depreciation of property, plant and equipment	7,668	8,391
Less: Amount capitalised to properties under development for sale	(129)	(145)
	<u>7,539</u>	<u>8,246</u>
Amortisation of prepaid lease payments	334	313
Loss on fair value changes of derivative financial instruments	334	1,735
Staff costs including directors' emoluments	47,687	48,686
Less: Amount capitalised to properties under development for sale and an investment property	(5,372)	(298)
	<u>42,315</u>	<u>48,388</u>
Cost of inventories recognised as an expense and after crediting:	489,489	489,932
Exchange gain, net	31,287	11,803
Gain on fair value changes of investment held for trading	52	172
Gross rental income from properties	2,893	3,619
	<u><u> </u></u>	<u><u> </u></u>

(7) TAXATION

	Six months ended 30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong profits tax	3,157	1,901
Deferred tax	801	640
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	3,958	2,541
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Hong Kong profits tax has been provided for at 17.5% (2006 – 17.5%) on the estimated assessable profit for the six months ended 30 September 2007.

(8) EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$72,712,822 (2006 – HK\$80,930,000) and on the weighted average number of 1,030,831,218 ordinary shares (2006 – 1,066,604,748 ordinary shares) in issue during the six months ended 30 September 2007.

(9) INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 April 2006	166,000
Additions	143,492
Increase in fair value recognised in the consolidated income statement	<u>35,508</u>
At 31 March 2007 and 1 April 2007	345,000
Additions	<u>419,202</u>
	764,202
Less: Disposals	<u>(125,000)</u>
	639,202
Increase in fair value recognised in the consolidated income statement	<u>21,798</u>
At 30 September 2007	<u><u>661,000</u></u>

The fair value of the Group's investment properties at 30 September 2007 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

(10) BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in bills receivables is discounted bills receivables with full recourse of HK\$12,000,000 (31 March 2007: HK\$11,000,000) which is aged within 30 days.

The Group has a policy of allowing an average credit period of 30-60 days to its trade customers.

Included in trade receivables, deposits and prepayments are trade receivables of HK\$69,052,621 (31 March 2007: HK\$67,367,839) with an aged analysis as follows:

	At 30 September 2007	At 31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	49,076	39,396
31 to 90 days	18,039	27,063
91 to 180 days	1,049	613
Over 180 days	889	296
	<u>69,053</u>	<u>67,368</u>

(11) BILLS PAYABLES, TRADE PAYABLES AND ACCRUED EXPENSES

Included in bills payables, trade payables and accrued expenses are payables in respect of trade of HK\$134,040,246 (31 March 2007: HK\$129,345,872) with an aged analysis as follows:

	At 30 September 2007	At 31 March 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	85,910	111,333
31 to 90 days	42,095	13,822
91 to 180 days	3,257	1,942
Over 180 days	2,778	2,249
	<u>134,040</u>	<u>129,346</u>

(12) CONTINGENT LIABILITIES AND COMMITMENTS

	At 30 September 2007 HK\$'000	At 31 March 2007 HK\$'000
Contingent liabilities:		
Other guarantees	247	247
Capital commitments:		
Contracted for but not provided:		
Property development costs	6,461	—
Acquisition of property, plant and equipment	—	19
Acquisition of investment properties	169,920	73,130
	<u>176,381</u>	<u>73,149</u>

(13) RELATED PARTY TRANSACTIONS

- (1) Transactions with an associate

	Six months ended 30 September 2007 HK\$'000	2006 HK\$'000
Nature of transaction		
Management fee income received by the Group	636	636

- (2) The Group's balances with related parties are set out in the condensed consolidated balance sheet.
- (3) Directors' remuneration of HK\$6,627,714 (2006: HK\$5,735,772) has been paid during the six months ended 30 September 2007.

(14) POST BALANCE SHEET EVENTS

- (a) On 4 October 2007, Sinoway Enterprises Limited (“Sinoway”), a wholly owned subsidiary of the Company, entered into the agreement with Tipau Hong Kong Limited for the disposal of a property located at Unit 1 to 8, 6th Floor, Citicorp Centre, No. 18 Whitfield Road, Hong Kong (with carpark no. 28, 29 and 57 on the 2nd floor) (the “Property A”). The consideration for the disposal of Property A to be received by Sinoway is HK\$57,000,000 with a gain on disposal of approximately HK\$500,000.
- (b) On 5 October 2007, Rever Limited (“Rever”), a wholly owned subsidiary of the Company, entered into the agreement with Cantic Limited for the disposal of a property located at Unit 3201, 32nd Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong (the “Property B”). The consideration for the disposal of Property B to be received by Rever is HK\$37,934,900 with a gain on disposal of approximately HK\$14,300,000.
- (c) On 7 November 2007, Clare Limited (“Clare”), a wholly owned subsidiary of the Company, entered into the agreement with Top Best Investments Limited, for the sale and purchase of the property located at House 6, Double Bay, No. 46 Island Road, Hong Kong (the “Property C”). The consideration for the acquisition of the Property C to be paid by Clare is HK\$160,000,000.
- (d) On 10 December 2007, Rexel Limited (“Rexel”), a wholly owned subsidiary of the Company, entered into the agreement with Century Glory Investments Limited for the disposal of a property located at No. 59 Shouson Hill Road, Bay Villas, Hong Kong (the “Property D”). The consideration for the disposal of Property D to be received by Rexel is HK\$160,200,000 with a gain on disposal of approximately HK\$38,800,000.

INTERIM DIVIDEND

The Directors resolved to declare an interim dividend of 0.8 HK cent per share (2006 – 0.5 HK cent per share).

BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2007 was HK\$570,706,881 which was increased by 1% over the same period last year (HK\$565,001,689).

Net profit for the six months ended 30 September 2007 was HK\$72,712,822 which was 90% of the same period last year.

During the period under review, the performance of the Group's watch manufacturing division has improved.

As for the Group's Watch Component Trading Division, both turnover and profit have surpassed the previous year's interim results.

On 25 May 2007, the Group disposed of its investment property at 45th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong at a profit.

On the other hand, the Group acquired the following properties during the period under review:

1. No. 87 and 89, Jervois Street, Hong Kong for development purposes;
2. No. 59 Shouson Hill Road, Bay Villas, Hong Kong for investment purposes;
3. 22nd floor (including the roof thereof) and car parking space no. 9 on level 1, Century Tower II, Nos. 1 and 1A Tregunter Path, Hong Kong for investment purposes;
4. Nos. 99, 101 and 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong for development purposes; and
5. 5, 7, and 9 Sultan Street, Toronto, Canada for development purposes.

In addition, the following sale and purchase agreements were entered into but not yet completed:

1. an acquisition agreement dated 10 September 2007 in relation to an acquisition of a property located at Ground, 1st, 2nd and 3rd Floors and The Roof, No. 459 Lockhart Road, Causeway Bay, Hong Kong; and
2. an acquisition agreement dated 10 September 2007 in relation to an acquisition of a property located at No. 461 Lockhart Road, Hong Kong.

PROSPECTS

On 2 December 2007, the Group laid its foundation and started the first phase of the construction of its manufacturing plant at Nanning, Capital of Guangxi Province. It is a phased process that will take 3 to 5 years to relocate all our manufacturing facilities from Shenzhen.

The occupancy programme of the Group's "One St.Thomas" residential project in Toronto is expected to be completed by Autumn of 2008.

"The Putman", the Group's Luxurious Boutique Hotel at 202 Queen's Road Central, Hong Kong which is a Joint Venture Project with Citi Property Investors, enjoyed 100% booking. "Maison", the café on the G/F opened its door to the public in October 2007 and received excellent reviews on the quality of food and service. The Group expects the rental income from this investment property will continue to increase.

With regard to the Group's second Joint Venture project with Citi Property Investors at 137-138 Connaught Road West, Hong Kong, the super-structure work has commenced and the building is expected to be completed by the end of 2008.

The Group's third project with Citi Property Investors at Nos. 50 to 59 Connaught Road Central, Hong Kong for the development of an A-Grade office building is also on schedule. All the tenants of the existing buildings have vacated and the demolition work of these buildings has commenced.

The demolition work of the existing old building at 21 Whitfield Road, Causeway Bay, Hong Kong was completed and the foundation work has commenced. We aim to complete this new boutique hotel by the beginning of 2010.

The Group has commenced the foundation work of its project at 87 and 89 Jervois Street, Hong Kong. The completion of this new boutique hotel is expected to be the beginning of 2010.

For the development site at Nos. 99, 101 & 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong, the Group intends to construct a new boutique hotel on this site and the planning process is underway.

The Group has entered into a disposal agreement dated 5 October 2007 in relation to a sale of a property located at Unit 3201, 32nd Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong as per our announcement on 8 October 2007.

The Group has entered into an acquisition agreement dated 7 November 2007 in relation to an acquisition of a property located at House 6, Double Bay, No. 46 Island Road, Hong Kong as per our announcement on 9 November 2007.

The Group has disposed of its investment property located at Unit 1 to 8, 6th Floor, Citicorp Centre, No. 18 Whitfield Road, Hong Kong (with carpark nos. 28, 29 and 57 on the 2nd floor) on 16 November 2007 with profit as per our announcement on 5 October 2007.

The Group has entered into a disposal agreement dated 10 December 2007 in relation to a sale of a property located at No. 59 Shouson Hill Road, Bay Villas, Hong Kong as per our announcement on 11 December 2007.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 September 2007, the Group's total borrowings were HK\$1,559 million, representing an increase of HK\$573 million from 31 March 2007. The maturity profile spreads over a period of 30 years, with HK\$1,028 million repayable within one year, HK\$296 million within two to five years and HK\$235 million beyond five years.

As at 30 September 2007, the Group's gearing ratio was 0.97 (31 March 2007: 0.64) which is calculated based on the Group's long-term bank borrowings of approximately HK\$531 million and shareholders' funds of approximately HK\$546 million.

As at 30 September 2007, the Group's total bank balances and cash was approximately HK\$119 million (31 March 2007: HK\$189 million).

Similar to last period, the Group has maintained a reasonable level of cash resources and stand-by credit facilities to provide adequate liquid funds to finance its commitments and working capital requirements.

Treasury Policies

As at 30 September 2007, 44% of the Group's borrowings was in HK\$, 2% in US\$, 11% in JPY and 43% in CAD.

As at 30 September 2007, 31% of the Group's bank balances and cash was in HK\$, 57% in US\$, 10% in CAD and 2 % in others.

All the Group's borrowings are variable-rate borrowings. The Group will carefully monitor its foreign exchange exposure and forward contracts have been used as hedging instruments.

Future plans for material investments

Other than the acquisitions mentioned above, the Group currently has no other plans for material investments. All the aforesaid acquisitions have been funded by bank borrowings and the internal resources of the Group.

Charges on assets

As at 30 September 2007, certain properties of the Group of approximately HK\$1,877 million (31 March 2007: HK\$1,326 million) were pledged to secure banking facilities for the Group.

Employees

As at 30 September 2007, the Group employed approximately 2,850 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the period including director's emoluments amounted to HK\$48 million (2007: HK\$49 million). Remuneration is determined by reference to market terms as well as the qualifications and experiences of the staff concerned. Salaries are reviewed annually and discretionary bonuses may be paid depending on individual performance and the profitability of the Group.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2007, the interests of the Directors, chief executives and their associates in the shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Name of director	Capacity	Shares of HK\$0.10 each				Percentage of the issued share capital of the Company
		Personal interests	Corporate interests	Other interests	Total interests	
Mr. Jimmy Lee Yuen Ching	Chairman	—	—	253,106,873 <i>(note a)</i>	253,106,873	24.66%
Mr. James Lee Yuen Kui	Managing Director	5,940	—	252,102,979 <i>(note b)</i>	252,108,919	24.56%
Mr. Loewe Lee Bon Chi	Director	—	—	253,106,873 <i>(note a)</i>	253,106,873	24.66%
Mr. Edward Lee Yuen Cheor	Director	—	—	252,102,979 <i>(note b)</i>	252,102,979	24.56%
Mr. Ricky Wai Kwong Yuen	Director	—	37,267,767 <i>(note d)</i>	—	37,267,767	3.63%
Dr. Samson Sun, M.B.E., J.P.	Director	—	4,988,968 <i>(note c)</i>	—	4,988,968	0.49%

Notes:

- (a) The 253,106,873 shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members including Mr. Loewe Lee Bon Chi are named beneficiaries.
- (b) The 252,102,979 shares are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor are named beneficiaries.

- (c) The 4,988,968 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P.
- (d) The 37,267,767 shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.

Saved as disclosed above, at 30 September 2007, none of the director or chief executive or any of their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO Ordinance.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain directors disclosed under the heading “Directors’ Interests in Shares, Underlying Shares and Debentures” above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interests or short position in the issued share capital of the Company as at 30 September 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2007 the Company repurchased a total of 7,094,000 shares of HK\$0.10 each of the Company on The Stock Exchange of Hong Kong Limited, all of which shares were cancelled upon repurchase. Particulars of the shares repurchased are as follows:

Month of repurchase	Number of shares of HK\$0.1 each	Price per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	paid HK\$
April 2007	400,000	0.405	0.390	160,495
May 2007	1,228,000	0.435	0.395	499,093
June 2007	—	—	—	—
July 2007	—	—	—	—
August 2007	5,466,000	0.485	0.455	2,572,852
September 2007	—	—	—	—
	7,094,000			3,232,440

CORPORATE GOVERNANCE

The Company has complied with 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.

AUDIT COMMITTEE

The Company has established an Audit Committee and its members comprise Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai who are all independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters. The interim results for the six months ended 30 September 2007, which have not been audited, have been reviewed by the Audit Committee.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all directors who have confirmed that, during the period under review, they have complied with the required standard set out in the Model Code.

By order of the Board
Lee Yuen Ching, Jimmy
Chairman

Hong Kong, 12 December 2007

As at the date of this report, the Board of the Company comprises Mr. Lee Yuen Ching, Jimmy, Mr. Lee Yuen Kui, James, Mr. Lee Bon Chi, Loewe, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky as Executive Directors, Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai as Independent Non-executive Directors and Ms. Lee Yuen Yu, Dorathy as a Non-executive Director.