



CHANCO INTERNATIONAL GROUP LIMITED

卓高國際集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 0264)

INTERIM REPORT

2007

CORPORATE INFORMATION

Directors

Executive Directors

Chan King Hong Edwin
(*Chairman & Chief Executive Officer*)
Chan King Yuen Stanley (*Vice Chairman*)
Chan Wai Po Rebecca

Independent Non-executive Directors

Chau Cynthia Sin Ha *JP*
Fong Pui Sheung David *MH*
Or Kam Chung Janson *FCCA, CPA*

Qualified Accountant and Company Secretary

Lau Wai Hung *FCCA, CPA*

Audit Committee

Fong Pui Sheung David *MH (Chairman)*
Chau Cynthia Sin Ha *JP*
Or Kam Chung Janson *FCCA, CPA*

Remuneration Committee

Or Kam Chung Janson *FCCA, CPA (Chairman)*
Fong Pui Sheung David *MH*
Chau Cynthia Sin Ha *JP*

Nomination Committee

Chau Cynthia Sin Ha *JP (Chairlady)*
Fong Pui Sheung David *MH*
Or Kam Chung Janson *FCCA, CPA*

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong

3rd Floor, Victory Industrial Building
No. 151-157 Wo Yi Hop Road
Kwai Chung
New Territories
Hong Kong

Auditors

BDO McCabe Lo Limited
Certified Public Accountants

Legal adviser on the Cayman Islands law

Conyers Dill & Pearman

Cayman Islands principal share registrar and transfer office

Butterfield Fund Services (Cayman) Ltd
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman

Hong Kong branch share and registrar and transfer office

Computershare Hong Kong Investor
Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Nanyang Commercial Bank Limited
Wing Hang Bank Limited

Company website

www.chancogroup.com
www.irasia.com/listco/hk/chanco/index.htm

Stock Code

264

FINANCIAL HIGHLIGHTS

For the six months ended 30 September

	2007	2006	
	Unaudited	Unaudited	Change %
	HK\$'000	HK\$'000	

Operating results

Turnover	170,954	141,348	+21%
Gross Profit	54,471	43,436	+25%
Profit before income tax expense	33,360	24,454	+36%
Profit for the period	30,126	22,060	+37%

Business performance ratios

Gross profit margin	31.9%	30.7%
Net profit margin	17.6%	15.6%
Return on shareholders' equity	14.3%	12.5%
Current ratio	6.76	6.77
Quick ratio	5.11	5.00
Debt ratio	0.14	0.14

Share data

Shares in issue ('000)	318,804	318,500
Shares closing price (as at period end date)	HK\$0.76	HK\$0.68
Market capitalization (HK\$'000)	242,291	216,580
Basic earnings per share	HK9.5 cents	HK6.9 cents
Interim dividend per share	HK3.1 cents	HK2.3 cents
Net asset value per share	HK\$0.66	HK\$0.55

The Board of Directors (the "Directors") of Chanco International Group Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007 as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

		Six months ended	
		30 September	
		2007	2006
		Unaudited	Unaudited
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	4	170,954	141,348
Cost of sales		(116,483)	(97,912)
Gross profit		54,471	43,436
Other income and gains		2,565	1,833
Selling and distribution costs		(8,665)	(8,043)
Administrative and other operating expenses		(15,011)	(12,772)
Profit before income tax expense	5	33,360	24,454
Income tax expense	6	(3,234)	(2,394)
Profit for the period		30,126	22,060
Dividends	7	9,883	7,326
Basic earnings per share	8	HK9.5 cents	HK6.9 cents
Diluted earnings per share	8	HK9.4 cents	HK6.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2007

	Notes	30 September 2007 Unaudited HK\$'000	31 March 2007 Audited HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		10,910	10,176
Current assets			
Inventories		57,075	52,480
Trade and bills receivables	9	38,414	27,266
Other receivables, deposits and prepayments		4,312	4,267
Tax recoverable		-	706
Cash and cash equivalents		134,427	119,573
Total current assets		234,228	204,292
Total assets		245,138	214,468
Liabilities			
Current liabilities			
Trade and bills payables	10	18,240	11,631
Other payables and accrued charges		14,174	14,456
Tax payable		2,250	271
Total current liabilities		34,664	26,358
Non-current liabilities			
Deferred tax liabilities		302	283
Total liabilities		34,966	26,641
TOTAL NET ASSETS		210,172	187,827
Capital and reserves			
Share capital	11	3,188	3,185
Reserves		206,984	184,642
TOTAL EQUITY		210,172	187,827

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Statutory						
	Share capital	Share premium	Exchange reserve	surplus reserve	Retained earnings	Proposed dividends	Total
	Unaudited HK\$'000						
At 1 April 2006	3,185	32,435	217	888	117,758	6,370	160,853
Profit for the period	-	-	-	-	22,060	-	22,060
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	165	-	-	-	165
2005/06 final dividend paid	-	-	-	-	-	(6,370)	(6,370)
2006/07 proposed interim dividend	-	-	-	-	(7,326)	7,326	-
At 30 September 2006	3,185	32,435	382	888	132,492	7,326	176,708
At 1 April 2007	3,185	32,435	659	888	142,379	8,281	187,827
Profit for the period	-	-	-	-	30,126	-	30,126
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	332	-	-	-	332
2006/07 final dividend paid	-	-	-	-	(6)	(6,051)	(6,057)
2006/07 special dividend paid	-	-	-	-	(2)	(2,230)	(2,232)
2007/08 proposed interim dividend	-	-	-	-	(9,883)	9,883	-
Exercise of share options	3	173	-	-	-	-	176
At 30 September 2007	3,188	32,608	991	888	162,614	9,883	210,172

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 from operating activities	22,503	13,378
Net cash from investing activities	84	539
Net cash used in financing activities	(8,113)	(6,370)
Net increase in cash and cash equivalents	14,474	7,547
Cash and cash equivalents at the beginning of the period	119,573	90,999
Effect of foreign exchange rate changes	380	155
Cash and cash equivalents at the end of the period, representing bank balances and cash	134,427	98,701

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General

The Company was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report.

The unaudited condensed interim financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. Basis of preparation

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

3. Principal accounting policies

The unaudited condensed interim financial statements have been prepared under the historical cost convention.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by HKICPA, that are relevant to its operation and effective for accounting period beginning on or after 1 April 2007. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. Principal accounting policies (Continued)

The Group has not yet applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipated that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK (IFRIC) – Interpretation 12	Service Concession Arrangements ²
HK (IFRIC) – Interpretation 13	Customer loyalty programmes ³
HK (IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions ²

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

4. Segment information

Primary reporting format – business segment

Segment information about these business is presented below:

	Manufacturing Business		Retail business		Inter-segment elimination		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2007	2006	2007	2006	2007	2006	2007	2006
	Unaudited HK\$'000	Unaudited HK\$'000						
Revenue								
External sales	160,814	131,365	10,140	9,983	–	–	170,954	141,348
Inter-segment sales	973	833	–	–	(973)	(833)	–	–
	161,787	132,198	10,140	9,983	(973)	(833)	170,954	141,348
Segment results	31,536	23,765	(356)	(758)	15	(12)	31,195	22,995
Unallocated income							2,487	1,833
Unallocated expenses							(322)	(374)
Profit before income tax expense							33,360	24,454
Income tax expense							(3,234)	(2,394)
Profit for the period							30,126	22,060

4. **Segment information** (Continued)

Secondary reporting format – geographical segment

	Turnover	
	Six months ended	
	30 September	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Japan	52,847	31,864
Europe	48,027	37,879
The United States of America	16,472	27,605
Hong Kong	25,484	23,161
The People's Republic of China, other than Hong Kong (the "PRC")	13,148	8,574
Australia	5,002	4,235
Others	9,974	8,030
	170,954	141,348

5. **Profit before income tax expense**

Profit before income tax expense is arrived at after charging:

	Six months ended	
	30 September	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Cost of inventories sold	116,483	97,912
Depreciation of property, plant and equipment	1,291	1,199
Operating lease rentals in respect of land and buildings	5,201	4,795
Write down of inventories	860	258
Staff costs (excluding directors' emoluments)	8,315	6,948
and crediting:		
Interest income	2,143	1,777

6. Income tax expense

	Six months ended	
	30 September	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	2,530	1,852
– Other jurisdictions	685	460
Deferred tax	19	82
	3,234	2,394

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is entitled to exemption from PRC income tax for two years commencing from the first profit-making year, and entitled to a 50% relief from the PRC income tax for the following three years.

7. Dividends

	Six months ended	
	30 September	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim dividend of HK3.1 cents (2006: HK2.3 cents) per ordinary share	9,883	7,326

At a board meeting held on 17 December 2007, the directors declared an interim dividend of HK3.1 cents per share, aggregating a total of approximately HK\$9,883,000 for the six months ended 30 September 2007. This proposed dividend is not reflected as a dividend payable in the condensed financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2008.

The amount of proposed interim dividend is based on 318,804,000 shares in issue at 17 December 2007.

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profit for the period of HK\$30,126,000 (2006: HK\$22,060,000) and weighted average of 318,604,656 (2006: 318,500,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the Group's profit for the period of HK\$30,126,000 (2006: HK\$22,060,000) and the weighted average number of 319,558,610 (2006: 318,972,299) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 318,604,656 (2006: 318,500,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 953,954 (2006: 472,299) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

9. Trade and bills receivables

Customers are generally granted with credit terms of 30 to 90 days. Longer payment terms might grant to those customers which have good payment history and long-term business relationship with the Group.

Details of the ageing analysis are as follows:

	30 September 2007 Unaudited HK\$'000	31 March 2007 Audited HK\$'000
Current to 30 days	17,333	14,036
31-60 days	9,249	8,159
61-90 days	3,185	2,084
91-120 days	4,490	1,052
121-365 days	3,851	1,935
Over 365 days	306	-
	38,414	27,266

10. Trade and bills payables

Details of the ageing analysis are as follows:

	30 September 2007 Unaudited HK\$'000	31 March 2007 Audited HK\$'000
Current to 30 days	10,308	6,902
31-60 days	3,941	3,155
61-90 days	2,709	1,003
91-120 days	557	293
121-365 days	548	143
Over 365 days	177	135
	18,240	11,631

11. Share capital

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
	Issued and fully paid Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$'000
At 31 March 2007	318,500,000	3,185
Exercise of share options	304,000	3
At 30 September 2007	318,804,000	3,188

12. Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2007 (At 31 March 2007: nil).

13. Related party transactions

- (a) During the period, the Group had entered into the following transactions with related parties:

	Six months ended	
	30 September	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	132	132

Mr. Chan Woon Man is a substantial shareholder of the Company and Ms. Tsang Sau Lin is the wife of Mr. Chan Woon Man.

(b) *Compensation of key management personnel*

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30 September	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Short-term benefits	5,887	4,353
Post employment benefits	60	54
	5,947	4,407

INTERIM DIVIDEND

The Directors has resolved to declare an interim dividend of HK3.1 cents per ordinary share for the six months ended 30 September 2007. The interim dividend will be paid on or about 30 January 2008 to members, whose names appear on the register of members of the Company at the close of business on 11 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover for the period ended 30 September 2007 recorded an increase of HK\$29,606,000 or 21% to HK\$170,954,000. The Group's accelerated growth in turnover was primarily driven by export sales of OEM and ODM products to Japan and Europe. Gross profit was around HK\$54,471,000 while the gross profit margin was approximately 32% (2006: 31%).

Selling and distribution costs for the period increased by 8% to HK\$8,665,000. The increase in the selling and distribution expenses was mainly due to the expansion of retail business. Administrative and other operating expenses increased by 18%, to HK\$15,011,000 which was due to the employment of additional management personnel, the increase of staff salaries and bonus paid to the executive directors of the Company.

Net profit for the six month ended 30 September 2007 increased by 37% to HK\$30,126,000. The basic earnings per share was HK9.5 cents as compared to HK6.9 cents for the corresponding period last year.

BUSINESS REVIEW

Manufacturing Business

During the period under review, turnover of manufacturing business grew by approximately 22% to HK\$160,814,000.

Geographically, sales growth was mainly attributable to better sales performance in Japan and European market. Sales to Japan surged by 66% to HK\$52,847,000 compared with exceptionally low sales level in first half of last fiscal year. Export sales to Europe increased by 27% to HK\$48,027,000. The growing maturity in the business relationship with several international brand customers became the key driver of sales growth in Europe. The remarkable growth of sales was also driven by higher purchasing power of the European customers resulting from the strong Euro currency. Sales to U.S dropped by 40% as a result of slow down of the U.S. market. U.S customers tended to make purchase cautiously during the reviewing period. For the PRC market, driven by increased orders from reputable brand customers, sales rose by 53% to HK\$13,148,000. Apart from the major export markets, sales revenue from other countries including Canada, Taiwan, Philippines, Singapore and Malaysia, etc. rose approximately 24%, to HK\$9,974,000.

Revenue from manufacturing of belts increased from HK\$126,563,000 to HK\$152,068,000. Sales of leather goods and other accessories was approximately HK\$8,746,000. The gross profit of manufacturing business increased by 26% to HK\$49,609,000 (2006: HK\$39,372,000). Despite facing unfavorable factors like rising labor cost and appreciation of Renminbi, the Group reported an improved gross margin of around 31% (2006: 30%). The impressive result reflected the efforts undertaken by the management in enhancing the Group's customer portfolio, tightening cost control, improving operation efficiency and adjusting the pricing strategy during the reporting period.

Retail Business

Retail sales for the reporting period was slightly increased to HK\$10,140,000, representing around 6% of the Group's total turnover. Same store sales dropped by around 10% because of the Group's strategy for reduction of selling third party brand products during the reporting period. The retail performance kept improving and the operating loss reduced from HK\$758,000 to HK\$356,000. The Group reported a sharp improvement on gross profit margin as a result of more diversified in-house brand products launched in the market. Retail profit margin increased 7 percentage points to 48% compared with same period of last year. During the reviewing period, the Group opened one new concept store and closed one non-profitable store upon expiry of the lease. At the end of September 2007, the Group operated 3 AREA 0264 stores in Hong Kong.

PROSPECTS

Challenging business conditions for manufacturer are expected to persist in view of continuing rise in Renminbi and labor cost. Nevertheless, we expect the momentum of the top line growth could continue despite housing concerns threatening the slowdown of US market. We continue to enjoy a competitive edge over many of our competitors. We will continue to focus our efforts to grow new businesses and at the same time strengthen the relationships with our existing customers. To stay competitive, we will strive for more stringent quality control and streamlining operation efficiency.

Looking into the second half of fiscal 2008 with confidence, we expect the retail business could achieve positive result for the full fiscal year. Riding on the satisfactory response from customers for our in-house brand products, we believe the sales proportion of in-house brand will continue to increase and further enhance the overall profit margin. In view of high shop rental, we will keep our prudent strategy for retail expansion in Hong Kong.

The Group's business fundamentals have proven our strength and our strategy have prepared us well to face future challenges. Barring unforeseeable circumstances, the management is cautiously optimistic towards the Group's performance in the second half of fiscal 2008.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2007, the Group's cash and bank deposits were approximately HK\$134,427,000, compared to approximately HK\$119,573,000 as at 31 March 2007.

As at 30 September 2007, the Group had aggregate banking facilities in respect of import/export facilities of approximately HK\$8,000,000 which were secured by corporate guarantees provided by the Company.

The Group recorded total current assets of approximately HK\$234,228,000 as at 30 September 2007 (31 March 2007: HK\$204,292,000) and total current liabilities of approximately HK\$34,664,000 (31 March 2007: HK\$26,358,000). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 7 times as at 30 September 2007 (31 March 2007: 8 times).

Supported by its strong cash flows, the Group did not raise any bank loan during the period.

The Group recorded an increase in shareholders' funds from approximately HK\$187,827,000 as at 31 March 2007 to approximately HK\$210,172,000 as at 30 September 2007.

Treasury Policy

The Group generally finances its operation with internally generated resources.

Cash and bank deposits of the Group are mainly denominated in Hong Kong dollars, US dollars and Renminbi.

Transactions of the Group are mainly denominated either in Hong Kong dollars, Renminbi or US dollars such that the Group does not have significant exposure to foreign exchange fluctuation save for the gradual appreciation of Renminbi. Though the Group does not engage in any hedging contracts, the Group's exposure to foreign exchange risk is relatively limited.

Charges on Assets

The Group did not have any assets pledged for general facilities granted by banks.

Material Acquisitions/Disposals

The Group had no material acquisitions/disposals for the six months ended 30 September 2007.

Human Resources

As at 30 September 2007, the Group had 392 employees in Hong Kong and the PRC and the processing factory had around 1,700 workers. The Group remunerated its employees mainly based on their individual performance. Apart from basic salaries, discretionary bonus, contribution to the statutory retirement scheme, the Group adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares of the Company.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions

(a) Ordinary shares of HK\$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Chan King Hong Edwin	Interest of a controlled corporation	47,727,352 <i>(Note 1(a))</i>	
	Beneficial owner	<u>4,460,000</u>	
		<u>52,187,352</u>	16.37
Chan King Yuen Stanley	Interest of a controlled corporation	47,727,352 <i>(Note 2)</i>	
	Beneficial owner	<u>5,200,000</u>	
		<u>52,927,352</u>	16.60
Chan Wai Po Rebecca	Interest of a controlled corporation	39,204,648 <i>(Note 3)</i>	12.30

(b) Share options

Name	Capacity	Number of options held	Number of underlying shares
Chan King Hong Edwin	Beneficial owner	3,181,200 <i>(Note 4)</i>	3,181,200
	Interest of spouse	3,181,200 <i>(Note 1(b))</i>	3,181,200
Chan King Yuen Stanley	Beneficial owner	3,181,200 <i>(Note 4)</i>	3,181,200
Chan Wai Po Rebecca	Beneficial owner	3,181,200 <i>(Note 4)</i>	3,181,200

Notes:

- 1(a). 47,727,352 shares are held by Leopark Worldwide Inc., a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Mr. Chan King Hong Edwin.
- 1(b). An option to subscribe for 3,181,200 shares of the Company was granted to Ms. Li Shuk Han on 24 September, 2003, who is the spouse of Mr. Chan King Hong Edwin. By virtue of the SFO, Mr. Chan King Hong Edwin is taken to be interested in these 3,181,200 long positions held by Ms. Li Shuk Han.
2. 47,727,352 shares are held by New Paramount Profits Limited, a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Mr. Chan King Yuen Stanley.
3. 39,204,648 shares are held by Prevail Assets Limited, a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Ms. Chan Wai Po Rebecca.
4. On 24 September 2003, each of Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley and Ms. Chan Wai Po Rebecca was granted an option to subscribe for 3,181,200 shares of the Company. Details of the options are stated under section headed "Share Option" below.

Save as disclosed above, none of the directors, chief executives and their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 30 September 2007.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, the interests or short positions of the persons, other than a director or chief executive of the Company in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions

(a) Ordinary shares of HK\$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Leopark Worldwide Inc.	Beneficial owner	47,727,352 <i>(Note i)</i>	14.97
New Paramount Profits Limited	Beneficial owner	47,727,352 <i>(Note i)</i>	14.97
Prevail Assets Limited	Beneficial owner	39,204,648 <i>(Note i)</i>	12.30
Smarty Worldwide Limited	Beneficial owner	39,204,648 <i>(Note ii)</i>	12.30
Chan Woon Man	Interest of a controlled corporation	39,204,648 <i>(Note ii)</i>	12.30
Li Shuk Han	Interest of spouse	52,187,352 <i>(Note iii)</i>	16.37
CIM Dividend Income Fund Limited (Formerly known as Chelverton Dividend Income Fund Limited)	Investment manager	28,692,000	9.00
Yeoman Capital Management Pte Ltd	Investment manager	19,308,000	6.06

(b) Share Options

Name	Capacity	Number of options held	Number of underlying shares
Li Shuk Han	Beneficial owner and interest of spouse	6,362,400 <i>(Note iv)</i>	6,362,400
Chan Woon Man	Beneficial owner	3,181,200 <i>(Note ii)</i>	3,181,200

Notes:

- (i) These shareholdings have also been included as corporate interests of Directors as disclosed under the section headed "Directors' interests in shares and underlying shares" above.
- (ii) 39,204,648 shares are held by Smarty Worldwide Limited, a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Mr. Chan Woon Man. In addition, an option to subscribe for 3,181,200 shares of the Company was granted to Mr. Chan Woon Man on 24 September 2003.
- (iii) 47,727,352 shares are held by a company controlled by Mr. Chan King Hong, Edwin and 4,460,000 shares are held by Mr. Chan King Hong, Edwin. By virtue of the SFO, Ms. Li Shuk Han, who is the spouse of Mr. Chan King Hong Edwin, is taken to be interested in these long positions.
- (iv) Being an option to subscribe for 3,181,200 shares of the Company granted to Mr. Chan King Hong Edwin and an option to subscribe for 3,181,200 shares of the Company granted to Ms. Li Shuk Han on 24 September 2003.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 September 2007.

SHARE OPTIONS

Pursuant to the written resolutions of all the shareholders of the Company passed on 18 February 2003, the Company adopted a share option scheme (the "Share Option Scheme").

The following table discloses movement in the Company's share options during the period.

Name or category of participant	Date of grant	Outstanding as at 1 April 2007	Options exercised	Outstanding as at 30 Sept 2007	Exercisable period	Exercise price per share
(a) Executive directors						
Chan King Hong Edwin	24 Sept 2003	3,181,200	-	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
Chan King Yuen Stanley	24 Sept 2003	3,181,200	-	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
Chan Wai Po Rebecca	24 Sept 2003	3,181,200	-	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
(b) Employees, in aggregate						
	26 May 2003	364,000	(304,000)	60,000	26 May 2003 – 25 May 2013	0.580
	24 Sept 2003	6,362,400	-	6,362,400	24 Sept 2003 – 23 Sept 2013	0.830
(c) Others, in aggregate						
	26 May 2003	3,000,000	-	3,000,000	26 May, 2003 – 25 May, 2013	0.580
Total		19,270,000	(304,000)	18,966,000		

Notes:

- (i) All the options were immediately vested upon granted.
- (ii) The share options granted under the Share Option Scheme are not recognised in the financial statements until they are exercised.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests in shares and underlying shares" and "Share options" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2007, except for the deviations from CG Code provision A2.1 in respect of the separation of roles of the chairman and chief executive officer. Due to the small size of the existing management team, both the roles of the chairman and chief executive officer of the Company are currently played by Mr. Chan King Hong, Edwin. Mr. Chan has considerable experience in manufacturing industry and is the person most knowledgeable about the business of the Group. The Board believes that the current structure will enable us to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 to the Listing Rules during the six months ended 30 September 2007.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Fong Pui Sheung David (Chairman), Ms. Chau Cynthia Sin Ha, and Mr. Or Kam Chung Janson. The Audit Committee has reviewed with Group's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited interim financial statements and the results of the Group for the six months ended 30 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 January 2008 to Friday, 11 January 2008 both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Tuesday, 8 January 2008.

By order of the Board
Chan King Hong Edwin
Chairman

Hong Kong, 17 December 2007