



MEXAN LIMITED

茂盛控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 22

INTERIM REPORT

2007/08

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Lun Chi Yim (*Chairman*)
Lun Yiu Kay Edwin
(*Managing Director*)
Ng Tze Ho Joseph

Independent Non-Executive Directors:

Tse Kwing Chuen
Ng Hung Sui Kenneth
Lam Yiu Pang Albert

Qualified Accountant and Company Secretary

Nip Suk Ching

Principal Bankers

Dah Sing Bank, Limited
The Hongkong and Shanghai Banking
Corporation Limited
Industrial and Commercial
Bank of China (Asia) Limited

Auditor

Shu Lun Pan Horwath Hong Kong
CPA Limited
2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Registered Office

Clarendon House
Church Street
Hamilton
HM 11
Bermuda

Principal Place of Business in Hong Kong

7th Floor, Mexan Harbour Hotel
Hotel 2, Rambler Crest
No. 1 Tsing Yi Road
Tsing Yi
New Territories
Hong Kong

Principal Registrars

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

Branch Registrars in Hong Kong

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

Website

www.mexanhk.com

Stock Code

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The board of directors (the "Board") of MEXAN LIMITED (the "Company") announces the unaudited interim results and presents the interim report of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007. The results have been reviewed by the Audit Committee. The unaudited condensed consolidated accounts of the Group for the six months ended 30 September 2007 together with the comparative figures for the corresponding previous period as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Note	Unaudited Six months ended 30 September 2007 HK\$'000	2006 HK\$'000 (Restated)
CONTINUING OPERATIONS			
Turnover	3	37,660	40,539
Direct costs		(10,539)	(11,144)
Gross profit		27,121	29,395
Other revenues	3	298	1,636
Administrative and other operating expenses		(22,785)	(31,221)
Profit from operations		4,634	(190)
Finance costs	4	(11,208)	(11,876)
Loss before taxation		(6,574)	(12,066)
Taxation	5	—	—
Loss for the period from continuing operations		(6,574)	(12,066)

CONSOLIDATED INCOME STATEMENT (*Continued*)

For the six months ended 30 September 2007

		Unaudited Six months ended 30 September	
	Note	2007 HK\$'000	2006 HK\$'000 (Restated)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		(822)	(32,599)
Net loss for the period	6	(7,396)	(44,665)
Attributable to:			
Equity holders of the Company		(7,335)	(44,665)
Minority interests		(61)	—
		(7,396)	(44,665)
Dividend	7	974,531	—
Loss per share (cents)			
— from continuing and discontinued operations	8	(0.560)	(3.407)
— from continuing operations	8	(0.497)	(0.920)

CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	Note	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Non-current assets			
Property, plant and equipment		640,712	649,198
Intangible assets		10,597	11,181
Club debentures		1,350	1,350
Deposit for land lease payments		1,200	—
		653,859	661,729
Current assets			
Trade and other receivables, deposits and prepayments	9	5,575	97,355
Cash and bank balances		9,057	15,485
		14,632	112,840
Assets of toll road and management businesses classified as held for sale		—	2,552,385
		14,632	2,665,225
Current liabilities			
Other payables, deposits received and accrued charges		10,487	16,506
Amounts due to related company		8,327	—
Dividend payable		1,094	1,096
Current portion of bank loans	10	188,350	35,554
		208,258	53,156

CONSOLIDATED BALANCE SHEET (Continued)

As at 30 September 2007

	Note	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Liabilities of toll road and management businesses associated with assets classified as held for sale		—	1,667,978
		208,258	1,721,134
Net current (liabilities)/assets		(193,626)	944,091
Total assets less current liabilities		460,233	1,605,820
Equity			
Share capital	11	131,092	131,092
Reserves		88,796	1,070,662
Equity attributable to equity holders of the Company		219,888	1,201,754
Minority interests		(61)	—
Total equity		219,827	1,201,754
Non-current liabilities			
Bank loans	10	239,806	344,653
Other loan		600	59,413
		240,406	404,066
		460,233	1,605,820

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Net cash inflow/(outflow) from operating activities	108,090	(4,699)
Net cash inflow from investing activities	—	73,255
Net cash outflow from financing activities	(152,200)	(58,412)
(Decrease)/increase in cash and cash equivalents	(44,110)	10,144
Effect of foreign exchange rate changes	—	183
Cash and cash equivalents at beginning of period	53,167	20,404
Cash and cash equivalents at end of period	9,057	30,731
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	9,057	30,731

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Unaudited						Attributable to equity holders of the Company	Minority interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000			
At 1 April 2007	131,092	57,556	129	12,156	45,129	955,692	1,201,754	—	1,201,754
Realisation on disposal of foreign operations recognised directly in equity	—	—	—	—	(45,129)	45,129	—	—	—
Loss for the period	—	—	—	—	—	(7,335)	(7,335)	(61)	(7,396)
Total recognised income and expense for the period	—	—	—	—	(45,129)	37,794	(7,335)	(61)	(7,396)
Dividend (Note 7)	—	—	—	—	—	(974,531)	(974,531)	—	(974,531)
At 30 September 2007	131,092	57,556	129	12,156	—	18,955	219,888	(61)	219,827

	Unaudited						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2006	131,092	57,556	129	12,156	10,674	1,047,996	1,259,603
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	14,169	—	14,169
Loss for the period	—	—	—	—	—	(44,665)	(44,665)
At 30 September 2006	131,092	57,556	129	12,156	24,843	1,003,331	1,229,107

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. GROUP REORGANISATION

On 2 January 2007, the Company's ultimate controlling party, Mexan Group Limited ("MGL") entered into a share sale agreement (the "Agreement") with Winland Wealth (BVI) Limited ("Winland Wealth"), pursuant to which Winland Wealth agreed to acquire 964,548,303 shares of the Company from MGL, representing approximately 73.58% of the existing issued share capital of the Company. Completion of the Agreement is subject to, inter alia, approval by independent shareholders of the Company of the special cash dividend of HK\$0.06865 per share and the group reorganisation (the "Group Reorganisation").

Pursuant to the Group Reorganisation, (i) the Company will continue to be a listed company, together with its subsidiaries (the "Remaining Group") will be carrying on the Group's business of hotel investment and operation (the "Remaining Business"); (ii) Inventive Limited ("Inventive") and its subsidiaries (together as the "Inventive Group") will be carrying on the businesses of the Group, including the Group's toll road operation and management as well as investment holding, other than the Remaining Business; and (iii) the shareholders will receive by way of distribution in specie the share of Inventive on the basis of one share of Inventive for each share of the Company held.

Details of the Group Reorganisation are set out in the circular of the Company dated 17 March 2007 and the composite offer document dated 16 April 2007 issued jointly by the Company and Winland Wealth.

Pursuant to the resolution passed by the independent shareholders in the special general meeting held on 12 April 2007, the Group Reorganisation and the special cash dividend were approved. On the same date, the Group Reorganisation and the Agreement were then completed. As a result, Winland Wealth acquired 964,548,303 shares of the Company from MGL and became the holding company of the Company.

The net assets of Inventive Group distributed by the Group in form of dividend in specie were as follows:

	HK\$'000
Total assets	2,555,598
Total liabilities	1,671,062
Net assets distributed	<u>884,536</u>

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on historical cost basis and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirement of Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

In the current period, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK(IFRIC)”), issued by the HKICPA that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies nor have affected the amounts reported for the current or prior periods.

At the date of authorisation of these financial statements, the following HKFRSs were in issue but not yet effective:

Effective for annual periods beginning on or after		
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) — Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC) — Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction	1 January 2008

The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

3. REVENUES AND TURNOVER

Before the completion of the Group Reorganisation on 12 April 2007, the Group was principally engaged in hotel operation and toll road operation. After the Group Reorganisation, the Group is mainly engaged in hotel operation. Revenues recognised during the period are as follows:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
From continuing operations		
Turnover		
Hotel operation	37,660	40,539
Other revenues		
Interest income from bank and other advance	298	1,399
Unclaimed dividend written back	—	237
	298	1,636
Total revenues	37,958	42,175
From discontinued operations		
Turnover		
Toll road income	5,586	79,179
Rental income	—	135
	5,586	79,314
Other revenues		
Management fee and other income from continuing operations	—	5,021
Subsidy income	—	2,168
Interest income	11	43
Exchange gain	—	1,190
	11	8,422
Total revenues	5,597	87,736

3. REVENUES AND TURNOVER *(Continued)*

(a) Primary reporting format — business segments

During the period ended 30 September 2007, the Group's turnover was generated from two main business segments:

- Hotel operation
- Toll road operation

There are no sales or other transactions between the business segments.

For the six months ended 30 September 2007 (Unaudited)

	Continuing operations	Discontinued operations		
	Hotel operation HK\$'000	Toll road operation HK\$'000	Property rental HK\$'000	Consolidated HK\$'000
Turnover	37,660	5,586	—	43,246
Segment results	9,238	2,981	—	12,219
Unallocated corporate expenses (net)				(5,776)
Interest income				6,443
Finance costs				309
				(14,148)
Loss before taxation				(7,396)
Taxation credit				—
Loss for the period				(7,396)

3. REVENUES AND TURNOVER *(Continued)*

(a) Primary reporting format — business segments *(Continued)*

For the six months ended 30 September 2006 (Unaudited)

	Continuing operations	Discontinued operations		
	Hotel operation HK\$'000	Toll road operation HK\$'000	Property rental HK\$'000	Consolidated HK\$'000
Turnover	40,539	79,179	135	119,853
Segment results	10,170	20,221	(3,692)	26,699
Unallocated corporate expenses (net)				(14,196)
Interest income				12,503
Finance costs				1,442
				(58,615)
Loss before taxation				(44,670)
Taxation credit				5
Loss for the period				(44,665)

3. REVENUES AND TURNOVER *(Continued)*

(b) Secondary reporting format — geographical segment

The following is an analysis of the Group's turnover, analysed by the geographical market:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
From continuing operations		
Hong Kong	37,660	40,539
From discontinued operations		
Hong Kong	—	135
People's Republic of China	5,586	79,179
	5,586	79,314
	43,246	119,853

4. FINANCE COSTS

Finance costs comprise the following:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
From continuing operations		
Interest on bank loans not wholly payable within five years	4,857	10,856
Interest on bank loans wholly payable within five years	5,894	—
Interest on other loans wholly payable within five years	430	1,017
Total borrowing costs incurred	11,181	11,873
Bank charges	27	3
	11,208	11,876
From discontinued operations		
Interest on bank loans not wholly payable within five years	2,940	46,724
Interest element of finance lease	—	9
Total borrowing costs incurred	2,940	46,733
Bank charges	—	6
	2,940	46,739

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the period. Overseas taxation is provided for the overseas operations in accordance with the tax laws of the countries in which the entities operate.

6. NET LOSS FOR THE PERIOD

Net loss for the period is stated after charging the following:

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Staff costs	6,305	17,504
Depreciation of property, plant and equipment	9,045	10,658
Amortisation of intangible assets	2,321	25,937

7. DIVIDEND

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Dividend in specie (Note 1 above)	884,536	—
Dividend paid, HK\$0.06865 per share (2006: Nil)	89,995	—
	974,531	—

In respect of the period and as disclosed in note 1 above, on 2 January 2007, the directors proposed a special cash dividend of HK\$0.06865 per share which would be paid to shareholders upon completion of the Group Reorganisation. This dividend was approved by shareholders at the special general meeting on 12 April 2007 and was paid during the period to all shareholders on the register of members on 12 April 2007. The total dividend was HK\$89,995,000.

8. LOSS PER SHARE

The calculation of the basic loss per share from continuing and discontinued operations attributable to the equity holders of the Company is based on the following data.

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000 (Restated)
Losses		
Loss attributable to equity holders of the Company for the purpose of the calculation of basic loss per share		
Continuing operations	6,513	12,066
Discontinued operations	822	32,599
	7,335	44,665
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic loss per share	1,310,925,244	1,310,925,244

No diluted earnings per share is shown as the Company has no potential dilutive ordinary shares at 30 September 2007.

For the period ended 30 September 2006, diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Trade receivables (note (a))	4,301	7,110
Other receivables	584	4,425
Deposits and prepayments	690	199,728
	5,575	211,263
Less: assets classified as held for sale	—	(113,908)
	5,575	97,355

- (a) The Group allows an average credit period of one month to its trade customers. All the trade receivables are expected to be recovered within one year, the trade receivables are all net of impairment loss for bad and doubtful debts. The following is an ageing analysis of trade receivables at the balance sheet date:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Within 30 days	3,936	6,881
31 — 60 days	60	205
61 — 90 days	71	24
Over 90 days	234	—
	4,301	7,110
Less: assets classified as held for sale	—	(3,693)
	4,301	3,417

10. BANK LOANS

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
At 30 September 2007, the Group's bank loans are secured and repayable as follows:		
Within one year	188,350	35,554
In the second year	12,038	37,514
In the third year	12,728	39,529
In the fourth year	13,457	41,653
In the fifth year	14,196	43,865
After five years	187,387	182,092
	428,156	380,207
Less: Amount due for settlement within 12 months (shown under current liabilities)	(188,350)	(35,554)
Amount due for settlement after 12 months	239,806	344,653

As at 30 September 2007, bank loans are secured by the first legal charge of the hotel property of the Group, the corporate guarantee from the Company and guarantees from directors and their related companies.

The bank loans carry a variable interest rate with reference to Hong Kong Inter-bank Offer Rate.

11. SHARE CAPITAL

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
Authorised:		
At 1 April 2007 and 30 September 2007	2,000,000,000	200,000
Issued and fully paid:		
At 1 April 2007 and 30 September 2007	1,310,925,244	131,092

12. CAPITAL COMMITMENT

At the balance sheet date, the Group had the following capital commitment in respect of:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Contracted but not provided for		
— Leasehold land for agricultural use	10,800	—

13. RELATED PARTY TRANSACTIONS

In opinion of the directors, before 12 April 2007, the ultimate controlling party of the Group is Mexan Group Limited which is incorporated in the British Virgin Islands. With effect from 12 April 2007, Winland Stock (BVI) Limited became the ultimate holding company of the Group after the completion of the Group Reorganisation.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

- (a) During the period and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group:

	Unaudited Six months ended 30 September 2007 HK\$'000	2006 HK\$'000
Rental expenses (i)	59	960
Management fee (ii)	381	6,073

13. RELATED PARTY TRANSACTIONS *(Continued)*

- (i) Mexan Resources Limited ("MRL"), a wholly-owned subsidiary of the Company before 12 April 2007, rented office premises, certain furniture and fixtures and car parks for three years effective from 1 October 2003 at a HK\$160,000 per month from Mexan International Limited ("MIL"). On 18 September 2006, MRL entered into a new tenancy agreement with MIL to extend the lease arrangement for a three-year period to 30 September 2009.

MIL is beneficially owned as to 95% by Mr. Lau Kan Shan, a former executive director, chairman and controlling shareholder of the Company. Since 12 April 2007, Mr. Lau has not held any interests in the Company after the completion of the Agreement. On 7 May 2007, Mr. Lau resigned as director of the Company.

The directors of the Company confirmed that this transaction did not continue in the Group after completion of the Group Reorganisation on 12 April 2007.

- (ii) Beilun Company, a wholly-owned subsidiary of the Company before 12 April 2007 and Shanghai Mexan Enterprise Development (Group) Company Limited ("Shanghai Mexan") entered into a toll road management agreement and a supplemental agreement whereby Beilun Company contracted with Shanghai Mexan for the latter company to manage the operations of the Ningbo Beilun Port Expressway for a period of 3 years commencing 1 July 2004 with an annual management fee of RMB12,500,000. Beilun Company has a right to terminate the contract by giving a 6-month written notice to Shanghai Mexan.

Under the contract, Shanghai Mexan is obligated to manage the toll collection, request monthly statement from Zhejiang Expressway Clearance Centre, manage the daily maintenance of the toll road and communicate to the relevant government authorities on behalf of Beilun Company.

Shanghai Mexan is beneficially owned by Mr. Lau Kan Shan.

The directors of the Company confirmed that this transaction did not continue in the Group after the completion of Group Reorganisation on 12 April 2007.

The related party transactions in respect of item (a)(i) and (ii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

14. COMPARATIVE FIGURES

Due to the Group Reorganisation, as disclosed in note 1 above, which constituted discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures were restated so as to reflect the results for the continuing operations.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Turnover from continuing operations of the Group recorded for the six months ended 30 September 2007 amounted to approximately HK\$37.6 million, representing a decrease of 7% compared to the same period last year. The decrease in turnover was mainly due to the decrease of tour groups from mainland China.

Turnover from discontinued operations of the Group for the period under review amounted to approximately HK\$5.6 million, representing a decrease of 93% compared to the same period last year. The decrease was mainly due to the distribution of the toll road business by the Group.

The Group recorded a loss of approximately HK\$7.4 million for the six months ended 30 September 2007 compared to a loss of approximately HK\$44.7 million in the corresponding period in 2006. The loss was decreased by approximately 83%, as mainly resulted from the distribution of the toll road business by the Group.

Business Review and Outlook

On 12 April 2007, the Group completed the Group Reorganisation. The Group is now carrying on the business of hotel investment and operation. The Group operates the Mexan Harbour Hotel, an 800-room four-star hotel in Tsing Yi.

Tourism sector is foreseen to flourish by the approaching events, such as (i) the completion of the revamp and expansion plans of Ocean Park by phases; (ii) the re-opening of the Tung Chung Cable Car; (iii) the 2008 Olympic Games in Beijing, with the equestrian events to be hosted in Hong Kong, and with more to come. We anticipate that these new tourist attractions will stimulate demands in hotel rooms and we are optimistic on the hotel business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review and Outlook *(Continued)*

Looking forward, the management will regularly conduct review of the Group's financial position and business activities in order to formulate its business and strategic development plans and continue to explore further suitable investment opportunities for the Group.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 September 2007, the Group's total borrowings amounted to approximately HK\$429 million (31 March 2007: HK\$2,068 million). The decrease of the Group's total borrowings was mainly due to the distribution of the toll road business. As at 30 September 2007, cash and bank balances amounted to approximately HK\$9 million (31 March 2007: HK\$53 million). The Group's net assets as at 30 September 2007 amounted to HK\$220 million (31 March 2007: HK\$1,202 million).

Gearing ratio of the Group which is expressed as a percentage of total borrowings to shareholders' funds was approximately 195% as at 30 September 2007 compared to approximately 172% as at 31 March 2007.

Of the Group's total borrowings as at 30 September 2007, except for the loan with no repayment terms, approximately HK\$188 million (43.9%) would be due within one year, approximately HK\$12 million (2.8%) would be due in more than one year but not exceeding two years, approximately HK\$41 million (9.6%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$187 million (43.7%) would be due in more than five years.

As at 30 September 2007, the borrowings were denominated in Hong Kong dollars, while as at 31 March 2007, the borrowings were denominated in Hong Kong dollars and Renminbi. As at 30 September 2007, the bank borrowings of approximately HK\$428 million bear a variable interest rate.

The bank borrowings of approximately HK\$428 million were secured by the hotel property, corporate guarantee from the Company and guarantees from directors and their related companies.

LIQUIDITY AND FINANCIAL INFORMATION *(Continued)*

The Group has limited exposure to foreign exchange fluctuations as the Group's transactions including the borrowings are mainly conducted in Hong Kong dollars. As at 30 September 2007, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivative.

EMPLOYEE INFORMATION

As at 30 September 2007, the total number of employees of the Group was approximately 133 (31 March 2007: 296). Remuneration packages are generally structured by reference to market terms and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodical basis. The Group participates in a mandatory provident fund scheme which covers all the eligible employees of the Group.

BOARD COMPOSITION AFTER GROUP REORGANISATION

There were changes in the composition of the Board after the Group Reorganisation. On 19 April 2007, Mr. Lun Chi Yim, Mr. Lun Yiu Kay Edwin and Mr. Ng Tze Ho Joseph were appointed as Executive Directors of the Company, and Dr. Tse Kwing Chuen, Mr. Ng Hung Sui Kenneth and Mr. Lam Yiu Pang Albert were appointed as Independent Non-Executive Directors of the Company.

Mr. Lau Kan Shan resigned as Executive Director of the Company on 7 May 2007. Mr. Tse On Kin and Ms. Ching Yung resigned as Executive Directors of the Company on 24 July 2007, and Mr. Chan Wai Dune, Mr. Lau Wai and Mr. Tong Kwai Lai resigned as Independent Non-executive Directors of the Company on 24 July 2007.

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

During the six months ended 30 September 2007, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Scheme") has been adopted on 27 September 2004 for a term of 10 years from the date of adoption. No option has been granted under the Scheme during the period from the date of its adoption up to 30 September 2007.

A summary of the principal terms of the Scheme has been set out in the 2007 annual report of the Company. The terms of the Scheme have never been amended since its adoption.

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

As at 30 September 2007, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

(1) Long Positions in Shares of the Company

Name of Director	No. of shares of HK\$0.10 each held	Capacity and nature of interest	Approximate shareholding percentage (%)
Lun Chi Yim	711,108,037 (Note)	Interest of controlled corporation	54.24

Note:

These 711,108,037 shares are held by Winland Wealth (BVI) Limited. Winland Wealth (BVI) Limited is wholly owned by Winland Stock (BVI) Limited which is in turn wholly owned by Mr. Lun Chi Yim. Accordingly, both Winland Stock (BVI) Limited and Mr. Lun Chi Yim are deemed to be interested in the said 711,108,037 shares under the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

(2) Long Positions in Shares of Associated Corporation

Name of associated corporation	Name of Director	No. of shares of US\$1.00 each held	Capacity and nature of interest	Shareholding percentage (%)
Winland Stock (BVI) Limited	Lun Chi Yim	1	Beneficial owner	100
Winland Wealth (BVI) Limited	Lun Chi Yim	1	Interest of controlled corporation	100

Save as disclosed above, as at 30 September 2007, none of the Directors or chief executive of the Company or any of their respective associates had registered an interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which are required to be recorded under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the section headed "SHARE OPTION SCHEME", at no time during the six months ended 30 September 2007 was the Company, any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2007, the following corporations and persons, other than the Directors whose interests are disclosed above, who had an interest or a short position in the shares and 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:

Name	Long/short position	No. of shares of HK\$0.10 each held	Capacity and nature of interest	Approximate shareholding percentage (%)
Winland Wealth (BVI) Limited (Note i)	Long	711,108,037 (Note i)	Beneficial owner	54.24
Suen Chui Fan (Note ii)	Long	711,108,037 (Note ii)	Interest of spouse	54.24
Winland Stock (BVI) Limited (Note iii)	Long	711,108,037 (Note iii)	Interest of controlled corporation	54.24

Notes:

- i. Mr. Lun Chi Yim was deemed to be interested by virtue of the SFO in the 711,108,037 shares of the Company held by Winland Wealth (BVI) Limited which was wholly owned by Winland Stock (BVI) Limited, a company wholly-owned by Mr. Lun.
- ii. Ms. Suen Chui Fan, the spouse of Mr. Lun Chi Yim, is deemed to be interested in Mr. Lun's shares which represented the same parcel of shares of the Company as held by Winland Wealth (BVI) Limited.
- iii. Winland Stock (BVI) Limited has declared an interest in 711,108,037 shares by virtue of its shareholding in its wholly-owned subsidiary, Winland Wealth (BVI) Limited.

Save as disclosed above, as at 30 September 2007, none of the substantial shareholder or other persons, other than the Directors or chief executive of the Company, had any interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2007 except for the following deviation:

Under the code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, in accordance with the Bye-laws, the Chairman and Managing Director are not subject to retirement by rotation or taken into account on determining the number of directors to retire. This constitutes a deviation from code provision A.4.2 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of Chairman and Managing Director provide the Group with strong and consistent leadership and are beneficial to the Company especially in planning and execution of business strategies and also believes that the present arrangement is beneficial to the Company and the shareholders of the Company as a whole.

In order to comply with the code provision C.2.1 of the CG Code, the Board has appointed an external consultancy firm to conduct the review on the effectiveness of the internal control system.

AUDIT COMMITTEE

The Audit Committee of the Company, with terms of reference in compliance with the provisions set out in the CG Code, comprises all the independent non-executive directors. The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2007 and discussed with the management the accounting principles and practices and internal control of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee, with terms of reference in compliance with the provisions set out in the CG Code, comprises three members, a majority of whom are independent non-executive directors. The role and function of the Remuneration Committee is to review, discuss and approve the remuneration mechanism of the directors and senior management of the Company and to establish and maintain a reasonable and competitive remuneration level in order to attract and retain the directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period.

APPRECIATION

We would like to thank all of our customers, suppliers, shareholders, professional advisers and bankers for their continuous support and all members of our management and staff for their dedicated work and effort during the period under review.

By Order of the Board
Lun Chi Yim
Chairman

Hong Kong, 19 December 2007