



# NAM HING HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 986)

## Interim Report 2007/2008



## CORPORATE INFORMATION

### Directors

Mr. Lau Kwai (*Chairman*)  
Mr. Lau Chung Yim (*Managing Director  
and Chief Executive Officer*)  
Mr. Lau Chung Hung  
Mr. Lau Hing Hai  
Ms. Lau May Wah  
Mr. Kwok Kwan Hung  
Mr. Chang Tso Tung Stephen\*  
Mr. Leung Hon Ming\*  
Mr. Pravith Vaewhongs\*

\* *Independent Non-executive Directors*

### Company secretary and qualified accountant

Mr. Kwok Kwan Hung

### Audit Committee

Mr. Chang Tso Tung Stephen (*Chairman*)  
Mr. Leung Hon Ming  
Mr. Pravith Vaewhongs

### Remuneration Committee

Mr. Lau Chung Yim (*Chairman*)  
Mr. Chang Tso Tung Stephen  
Mr. Leung Hon Ming

### Auditors

Ernst & Young  
*Certified Public Accountants*  
18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### Registered office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### Head office and principal place of business

27th Floor  
Yuen Long Trade Centre  
99-109 Castle Peak Road  
Yuen Long  
New Territories  
Hong Kong

### Principal bankers

DBS Bank (Hong Kong) Limited  
DBS Bank Limited, Shanghai Branch  
Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of Communications, Hong Kong  
Branch  
Shanghai Commercial Bank Limited

### Principal share registrar and transfer office

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

### Hong Kong branch share registrar and transfer office

Tricor Tengis Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### Website

<http://www.namhingholdings.com>

### Stock Code

986

## UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Nam Hing Holdings Limited (the “Company”) announces as follows the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007, together with the comparative figures for the corresponding previous period. These interim results have not been audited or reviewed by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

	Notes	Six months ended 30 September	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
REVENUE	3	<b>186,643</b>	168,603
Cost of sales		<b>(177,598)</b>	(146,460)
Gross profit		<b>9,045</b>	22,143
Other income and gains		<b>9,463</b>	998
Selling and distribution costs		<b>(4,675)</b>	(3,190)
Administrative expenses		<b>(14,628)</b>	(14,144)
Other expenses		<b>(1,319)</b>	(3,869)
Finance costs		<b>(5,621)</b>	(3,024)
LOSS BEFORE TAX	4	<b>(7,735)</b>	(1,086)
Tax	5	<b>17</b>	260
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		<b>(7,718)</b>	(826)
INTERIM DIVIDEND	6	<b>–</b>	–
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
– Basic		<b>HK(1.9207) cents</b>	HK(0.2056) cent
– Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2007

	Notes	<b>30 September 2007 HK\$'000 (Unaudited)</b>	31 March 2007 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>185,827</b>	188,127
Prepaid land lease payments		<b>15,034</b>	14,528
Investment properties		<b>22,680</b>	21,400
Trademark		<b>2,384</b>	2,329
Total non-current assets		<b>225,925</b>	226,384
<b>CURRENT ASSETS</b>			
Trade debtors	8	<b>120,051</b>	109,215
Other debtors, prepayments and deposits		<b>9,720</b>	7,291
Inventories		<b>58,865</b>	61,760
Investments at fair value through profit or loss		<b>3,144</b>	3,339
Tax recoverable		<b>164</b>	160
Pledged fixed deposits		<b>14,498</b>	9,535
Cash and bank balances		<b>3,743</b>	3,944
Total current assets		<b>210,185</b>	195,244
<b>CURRENT LIABILITIES</b>			
Trade creditors	9	<b>80,119</b>	70,932
Bills payable		<b>513</b>	1,481
Other creditors and accruals		<b>15,823</b>	19,303
Bank and other borrowings		<b>151,848</b>	138,272
Total current liabilities		<b>248,303</b>	229,988
<b>NET CURRENT LIABILITIES</b>		<b>(38,118)</b>	(34,744)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>187,807</b>	191,640
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>6,825</b>	7,648
<b>Net assets</b>		<b>180,982</b>	183,992
<b>EQUITY</b>			
Issued share capital		<b>40,184</b>	40,184
Reserves		<b>140,798</b>	143,808
<b>Total equity</b>		<b>180,982</b>	183,992

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2006 (audited)	40,184	124,711	2,031	(18,553)	-	464	46,087	194,924
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	5,648	-	-	-	5,648
Total income and expense for the period recognised directly in equity	-	-	-	5,648	-	-	-	5,648
Loss for the period	-	-	-	-	-	-	(826)	(826)
Total income and expense for the period	-	-	-	5,648	-	-	(826)	4,822
At 30 September 2006 (Unaudited)	<u>40,184</u>	<u>124,711</u>	<u>2,031</u>	<u>(12,905)</u>	<u>-</u>	<u>464</u>	<u>45,261</u>	<u>199,746</u>
At 1 April 2007 (audited)	40,184	124,711	2,031	6,639	-	464	9,963	183,992
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	3,985	-	-	-	3,985
Total income and expense for the period recognised directly in equity	-	-	-	3,985	-	-	-	3,985
Loss for the period	-	-	-	-	-	-	(7,718)	(7,718)
Total income and expense for the period	-	-	-	3,985	-	-	(7,718)	(3,733)
Recognition of equity-settled share based payment	-	-	-	-	723	-	-	723
At 30 September 2007 (Unaudited)	<u>40,184</u>	<u>124,711</u>	<u>2,031</u>	<u>10,624</u>	<u>723</u>	<u>464</u>	<u>2,245</u>	<u>180,982</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash inflow from operating activities	<b>54</b>	2,006
Net cash outflow from investing activities	<b>(2,982)</b>	(9,355)
Net cash (outflow)/inflow from financing activities	<b>(3,113)</b>	5,061
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(6,041)</b>	(2,288)
Cash and cash equivalents as at 1 April	<b>(8,889)</b>	(6,742)
Foreign exchange adjustments	<b>(11)</b>	1,487
	<hr/>	<hr/>
Cash and cash equivalents as at 30 September	<b>(14,941)</b>	(7,543)
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ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>3,743</b>	5,696
Bank overdrafts	<b>(18,684)</b>	(13,239)
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	<b>(14,941)</b>	(7,543)
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## Notes

**1. Basis of preparation**

The condensed consolidated interim financial statements for the six months ended 30 September 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**2. Accounting policies**

The accounting policies adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2007, except for the adoption of the following Hong Kong Financial Reporting Standards (“HKFRSs”) mandatory for annual periods beginning on or after 1 January 2007.

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

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

## 2. Accounting policies (continued)

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKSA 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 13	Customers Loyalty Programmes
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. Segment information

The Group's primary format for reporting segment information is business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the manufacture and sale of laminates segment is a supplier of industrial laminates mainly for use in the manufacture of telecommunications, computer-related products, audio and visual household products;
- (b) the manufacture and sale of printed circuit boards ("PCBs") segment is a supplier of PCBs mainly for use in the manufacture of audio and visual household products; and
- (c) the manufacture and sale of copper foils segment is a supplier of copper foil mainly for use in the manufacture of industrial laminates and PCBs.



### 3. Segment information (continued)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

An analysis of the Group's revenues and results for the current period by business segment, together with the comparative amounts for the corresponding period of 2006, is as follows:

	Six months ended 30 September 2007				
	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue:					
Sales to external customers	128,567	56,424	1,652	-	186,643
Intersegment sales	19,984	-	51,006	(70,990)	-
Other revenue	6,135	75	975	(17)	7,168
Total	<u>154,686</u>	<u>56,499</u>	<u>53,633</u>	<u>(71,007)</u>	<u>193,811</u>
Segment results	<u>(7,011)</u>	<u>5,924</u>	<u>(144)</u>		<u>(1,231)</u>
Interest income					179
Unallocated expenses					(1,062)
Finance costs					<u>(5,621)</u>
Loss before tax					(7,735)
Tax					<u>17</u>
Loss for the period					<u>(7,718)</u>

### 3. Segment information (continued)

	Six months ended 30 September 2006				
	Manufacture and sale of laminates	Manufacture and sale of PCBs	Manufacture and sale of copper foils	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:					
Sales to external customers	114,242	52,907	1,454	–	168,603
Intersegment sales	21,684	–	39,734	(61,418)	–
Other revenue	1,589	51	309	(1,107)	842
	<u>137,515</u>	<u>52,958</u>	<u>41,497</u>	<u>(62,525)</u>	<u>169,445</u>
Total					
Segment results	<u>343</u>	<u>904</u>	<u>848</u>		2,095
Interest income					156
Unallocated expenses					(313)
Finance costs					<u>(3,024)</u>
Loss before tax					(1,086)
Tax					<u>260</u>
Loss for the period					<u>(826)</u>

**4. Loss before tax**

Loss before tax is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Staff costs		
– Salaries and wages	<b>17,648</b>	15,400
– Share-based payment expenses	<b>723</b>	–
Depreciation and amortisation	<b>9,527</b>	7,284
Gain on disposal of property	<b>(5,251)</b>	–
Exchange (gain)/loss	<b>(2,116)</b>	3,021
	<b><u>          </u></b>	<b><u>          </u></b>

**5. Tax**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Provision for the period		
Mainland China		
– Over provision in the prior period	<b>(17)</b>	(260)
	<b><u>          </u></b>	<b><u>          </u></b>
Tax credit for the period	<b>(17)</b>	(260)
	<b><u>          </u></b>	<b><u>          </u></b>

## 5. Tax (continued)

Hong Kong profits tax for the six months ended 30 September 2007 was provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the period. No provision for Hong Kong profits tax has been made for the six months ended 30 September 2007 and 30 September 2006 as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during the periods.

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No deferred tax has been provided by the Group as there were no significant temporary differences.

## 6. Interim dividend

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

## 7. Loss per share attributable to equity holders of the parent

### (a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 September 2007 is based on the loss for the period attributable to equity holders of the parent of HK\$7,718,000 (2006: loss of HK\$826,000) and the weighted average of 401,838,800 (2006: 401,838,800) ordinary shares in issue during the period.

### (b) Diluted loss per share

No disclosure of diluted loss per share for the six months ended 30 September 2007 is presented as the exercise of share options would decrease the loss per share.

Diluted loss per share for the six months ended 30 September 2006 has not been disclosed, as the share options outstanding during the period had no dilutive effect on the basic loss per share.

## 8. Trade debtors

An ageing analysis of trade debtors at the balance sheet date is as follows:

	<b>30 September 2007 HK\$'000 (Unaudited)</b>	31 March 2007 HK\$'000 (Audited)
Within 3 months	<b>85,934</b>	72,111
4 to 6 months	<b>31,685</b>	33,272
Over 6 months	<b>2,432</b>	3,832
	<b><u>120,051</u></b>	<u>109,215</u>

The Group's credit terms given to its customers vary and are generally around three months, and are granted based on the financial strengths of the individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluations of customers are performed periodically by management.

## 9. Trade creditors

An ageing analysis of trade creditors at the balance sheet date is as follows:

	<b>30 September 2007 HK\$'000 (Unaudited)</b>	31 March 2007 HK\$'000 (Audited)
Within 3 months	<b>52,610</b>	51,123
4 to 6 months	<b>20,482</b>	15,367
Over 6 months	<b>7,027</b>	4,442
	<b><u>80,119</u></b>	<u>70,932</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review & Prospects**

The consolidated turnover of the Group for the six months ended 30 September 2007 was HK\$186,643,000, representing a 10.7% increment as compared with HK\$168,603,000 of the previous period. However, the loss of the Group increased from HK\$826,000 to HK\$7,718,000.

#### *Industrial Laminate Division*

The industrial laminate business is the core business of the Group. The business achieved a turnover of HK\$128,567,000 for the period under review, which represented an increase of 12.5% when compared with the previous period.

During the period under review, the Group faced strong competition in the industrial laminate business, which led to the squeezing of the gross profit margin in the laminate division. The decrease in the gross profit margin was due to the increase in costs of raw materials which are mostly petroleum related, increase in production costs such as fuel and labour costs and the appreciation of Renminbi on the Mainland where the Group's manufacturing bases are located.

On an optimistic note, the new industrial laminate plant in Suzhou has successfully explored new business opportunities in Eastern China. Several customers were captured and the sales volume increased gradually in the period under review.

The Group will continue to place emphasis on glass laminate whose profit margin is higher and to further expand the overseas market.

#### *Printed Circuit Board (PCB) Division*

For the six months ended 30 September 2007, the PCB business recorded an increase in turnover of 6.6%, from HK\$52,907,000 of the previous period to HK\$56,424,000. The increase was attributable to increase in turnover of the overseas market.

The Group will continue to focus on the production and marketing of multilayer PCBs, which has a higher profit margin. The construction of a new plant for double-sized and multilayer PCBs in Zhuhai, China will be completed and production is expected to begin in 2008. With increase in production capacity, the Group will enhance efforts to explore new customers.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review & Prospects (continued)

#### *Copper Foil Division*

For the period under review, the copper foil plant in Thailand continued to serve the role of an internal supplier of copper foil for the manufacturing of industrial laminates and multilayer PCBs. The copper foil plant was able to maintain its operational efficiency and ensure an adequate supply of copper foil to our laminate division. The senior management has been very cautious in the procurement of copper to minimize the adverse effect of the sustained high level in copper price.

#### *Conclusion*

The continuous increase in raw material costs such as costs of copper and petroleum-related materials and increase in production costs in the period under review have contributed to the squeezing of the Group's gross profit margin. To enhance its competitiveness, the Group has implemented a series of measures to tighten control over costs, strengthen credit management and streamline business structure. Further marketing efforts will focus on capturing new customers in China and overseas.

### Liquidity and Financial Resources

It is the Group's policy to rely on internally generated funds and bank borrowings to finance its operations and expansion projects.

As at 30 September 2007, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$18,241,000 (31 March 2007: HK\$13,479,000). The total interest-bearing bank loans and other borrowings increased from HK\$145,920,000 as at 31 March 2007 to HK\$158,673,000 as at 30 September 2007. Finance costs incurred increased from HK\$3,024,000 for the six months ended 30 September 2006 to HK\$5,621,000 for the six months ended 30 September 2007. As at 30 September 2007, the Group's gearing ratio, being the ratio of bank and other borrowings plus finance lease payables to total shareholders' equity, was 0.88 (31 March 2007: 0.79). Moreover, the Group maintained a current ratio of 0.85 at 30 September 2007 (31 March 2007: 0.85).

The Board considers that the current gearing ratio is at a reasonable level. The net current liabilities situation was mainly due to the mismatch of short-term funding to support long-term investment over the past few years. In order to restore a healthier financial position, the Board is in the course of implementing certain refinancing activities.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity and Financial Resources (continued)

The debt maturity profile of the Group is analysed as follows:

	<b>30 September 2007 HK\$'000 (Unaudited)</b>	31 March 2007 HK\$'000 (Audited)
Repayable within one year	<b>151,848</b>	138,272
Repayable in the second year	<b>1,706</b>	4,426
Repayable in the third to fifth years, inclusive	<b>5,119</b>	3,222
	<b>158,673</b>	145,920

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai Baht and Renminbi. The management will monitor from time to time the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Contingent Liabilities

As at 30 September 2007, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance (the "Ordinance"), with a maximum possible amount of HK\$218,000 (31 March 2007: HK\$319,000). The contingent liability has arisen because, as at 30 September 2007, a number of current employees have achieved the required number of years of service to the Group to be eligible for long service payments under the Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a significant future outflow of resources from the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Commitments

As at 30 September 2007, the Group had the following commitments in respect of capital expenditure, which was authorised, but not provided for in the financial statements:

	<b>30 September 2007 HK\$'000 (Unaudited)</b>	31 March 2007 HK\$'000 (Audited)
Contracted for in respect of purchases of items of property, plant and equipment	<b><u>5,449</u></b>	<u>2,238</u>

Except as disclosed above, the Company did not have any other significant commitments at the balance sheet date.

### Pledge of Assets

As at 30 September 2007, the amount of the Group's assets pledged as security for banking facilities was approximately HK\$105,718,000 (31 March 2007: HK\$83,577,000).

### Employment, Training and Remuneration Policy

During the current period under review, the Group continued to adopt a series of measures towards the size of workforce and commit to staff development and training programs. The Group had 1,029 employees as at 30 September 2007 (30 September 2006: 1,120). Remunerations are commensurate with the nature of jobs, experience and market conditions. Eligible employees are offered discretionary bonuses and share options depending on individual effort and the Group's performance.

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

As at 30 September 2007, the interests of the directors of the Company in the shares and underlying shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

### (A) Long position in the ordinary shares of the Company:

Name of director	Capacity	Note	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Lau Kwai	Beneficial owner		1,500,000	0.37
	Founder of a discretionary trust	(a)	87,696,000	21.82
	Founder of a discretionary trust	(b)	42,078,400	10.47
Mr. Lau Chung Yim	Beneficial owner		31,310,000	7.79
	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
	Beneficiary of a discretionary trust	(b)	42,078,400	10.47
Mr. Lau Chung Hung	Beneficial owner		16,000,000	3.98
	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
Mr. Lau Hing Hai	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
	Beneficiary of a discretionary trust	(c)	15,851,200	3.94
Ms. Lau May Wah	Beneficial owner		20,419,200	5.08
	Beneficiary of a discretionary trust	(a)	87,696,000	21.82
Mr. Leung Hon Ming	Beneficial owner		150,000	0.04

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

### (A) Long position in the ordinary shares of the Company: (continued)

Notes:

- (a) The shares were held by Woohei Inc. as trustee of The Woohei Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Kwai's spouse, Ms. Fong Shun Yum) of which were beneficially owned by The Lau Kwai Trust, a discretionary trust the beneficiaries of which included the family members of Mr. Lau Kwai.
- (b) The shares were held by Dragon Power Inc. as trustee of The Dragon Power Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Chung Yim's spouse, Ms. Tam Wai Ling, Josephine) of which were beneficially owned by The Jopat Trust, a discretionary trust the beneficiaries of which included Mr. Lau Chung Yim, his spouse and issue.
- (c) The shares were held by Inland Inc. as trustee of The Inland Unit Trust, all the units (other than one unit which was beneficially owned by Mr. Lau Hing Hai's spouse, Ms. Chan Ka Lam) of which were beneficially owned by The Hingka Trust, a discretionary trust the beneficiaries of which included Mr. Lau Hing Hai, his spouse and issue.

### (B) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives:

Name of director	Capacity	Number of underlying shares in respect of share option granted	Percentage of underlying shares over the Company's issued share capital
Mr. Lau Chung Yim	Beneficial owner	4,000,000 (Note)	1.00
Mr. Lau Chung Hung	Beneficial owner	4,000,000	1.00
Mr. Lau Hing Hai	Beneficial owner	4,000,000 (Note)	1.00
Ms. Lau May Wah	Beneficial owner	4,000,000	1.00

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)**

### **(B) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives: (continued)**

Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in the paragraph headed “Share Option Scheme” below.

Note: Such share options were fully/partially exercised by Mr. Lau Chung Yim and Mr. Lau Hing Hai to subscribe for 4,000,000 and 3,000,000 shares of the Company respectively subsequent to 30 September 2007.

In addition to the above, as at 30 September 2007, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirement of a minimum of two shareholders.

Save as disclosed above and in the paragraph headed “Share Option Scheme” below, as at 30 September 2007, none of the directors or chief executive of the Company had any interests/short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; nor had there been any grant or exercise of rights during the six months ended 30 September 2007.

## SHARE OPTION SCHEME

The Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest.

The following table shows the movement of share options during the period under review:

Name or category of participant	Date of grant	*Exercisable period	**Exercise price of share options HK\$ per share	Number of share options				outstanding at 30 September 2007
				outstanding at 1 April 2007	***granted during the period	exercised/ cancelled during the period	#lapsed during the period	
Directors								
Mr. Lau Chung Yim	20 September 2007	23/10/2007 to 22/10/2009	0.22	-	4,000,000	-	-	4,000,000
Mr. Lau Chung Hung	20 September 2007	23/10/2007 to 22/10/2009	0.22	-	4,000,000	-	-	4,000,000
Mr. Lau Hing Hai	20 September 2007	23/10/2007 to 22/10/2009	0.22	-	4,000,000	-	-	4,000,000
Ms. Lau May Wah	20 September 2007	23/10/2007 to 22/10/2009	0.22	-	4,000,000	-	-	4,000,000
Other employees in aggregate	3 June 2004	21/05/2004 to 20/05/2007	0.18	530,000	-	-	(530,000)	-
		21/01/2005 to 20/05/2007	0.18	530,000	-	-	(530,000)	-
		21/09/2005 to 20/05/2007	0.18	530,000	-	-	(530,000)	-
	20 September 2007	23/08/2008 to 22/08/2010	0.22	-	1,600,000	-	-	1,600,000

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

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

\*\*\* The closing price of the shares of the Company immediately before the date of grant was HK\$0.25.

# Such share options lapsed due to the expiry of the exercise period.

## SHARE OPTION SCHEME (continued)

The estimated fair value of share options granted for the six months ended 30 September 2007 was HK\$0.0695. The fair value of the options was calculated using the Black-Scholes pricing model based on the following assumptions:

Share price	HK\$0.22
Exercise price	HK\$0.22
Expected volatility	51%
Expected life	2 years
Annual risk free interest rate	4.75%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the past two years.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised total expenses of HK\$723,000 (2006: Nil) in relation to share options granted during the period under review.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the following persons, not being a director or chief executive of the Company, had interests in the shares and underlying shares of the Company, as recorded in the register required to be kept under Section 336 of the SFO or as the directors are aware:

### (A) Long position in the ordinary shares of the Company

Name of substantial shareholder	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Ms. Chan Ka Lam	Interest of spouse	(a)	103,547,200	25.76
Ms. Fong Shun Yum	Interest of spouse	(b)	147,125,600	36.61
Mr. Lo Tin Yuen	Interest of spouse	(c)	108,115,200	26.90
Ms. Tam Wai Ling Josephine	Interest of spouse	(d)	161,084,400	40.08
Ms. Wong Yuk Ching	Interest of spouse	(e)	103,696,000	25.80
Woohei Inc.	Trustee	(f)	87,696,000	21.82
Dragon Power Inc.	Trustee	(f)	42,078,400	10.47
MeesPierson Trust (Asia) Limited	Trustee	(f) & (g)	145,625,600	36.23

Notes:

- (a) Ms. Chan Ka Lam was deemed to be interested in 103,547,200 shares of the Company through interest of her spouse, Mr. Lau Hing Hai.
- (b) Ms. Fong Shun Yum was deemed to be interested in 147,125,600 shares of the Company through interest of her spouse, Mr. Lau Kwai.
- (c) Mr. Lo Tin Yuen was deemed to be interested in 108,115,200 shares of the Company through interest of his spouse, Ms. Lau May Wah.
- (d) Ms. Tam Wai Ling Josephine was deemed to be interested in 161,084,400 shares of the Company through interest of her spouse, Mr. Lau Chung Yim.
- (e) Ms. Wong Yuk Ching was deemed to be interested in 103,696,000 shares of the Company through interest of her spouse, Mr. Lau Chung Hung.
- (f) These interests have also been disclosed as the interests of Mr. Lau Kwai/Mr. Lau Chung Yim/Mr. Lau Chung Hung/Mr. Lau Hing Hai/Ms. Lau May Wah in the section headed "Directors' interests and short positions in shares and underlying shares" above.
- (g) MeesPierson Trust (Asia) Limited was the Trustee of The Lau Kwai Trust, The Jopat Trust and The Hingka Trust and was therefore deemed to be interested in the 87,696,000 shares indirectly owned by The Lau Kwai Trust, 42,078,400 shares indirectly owned by The Jopat Trust and 15,851,200 shares indirectly owned by The Hingka Trust.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

### (B) Long position in the underlying shares of the Company – physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	Notes	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital
Ms. Chan Ka Lam	Interest of spouse	(a)	4,000,000	1.00
Mr. Lo Tin Yuen	Interest of spouse	(b)	4,000,000	1.00
Ms. Tam Wai Ling Josephine	Interest of spouse	(c)	4,000,000	1.00
Ms. Wong Yuk Ching	Interest of spouse	(d)	4,000,000	1.00

#### Notes:

- (a) Ms. Chan Ka Lam was deemed to be interested in 4,000,000 share options of the Company owned by her spouse, Mr. Lau Hing Hai, pursuant to Part XV of the SFO.
- (b) Mr. Lo Tin Yuen was deemed to be interested in 4,000,000 share options of the Company owned by his spouse, Ms. Lau May Wah, pursuant to Part XV of the SFO.
- (c) Ms. Tam Wai Ling Josephine was deemed to be interested in 4,000,000 share options of the Company owned by her spouse, Mr. Lau Ching Yim, pursuant to Part XV of the SFO.
- (d) Ms. Wong Yuk Ching was deemed to be interested in 4,000,000 share options of the Company owned by her spouse, Mr. Lau Chung Hung, pursuant to Part XV of the SFO.

Save as disclosed herein, as at 30 September 2007, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.



## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY**

The Company has adopted its code of conduct regarding directors' dealings in the securities of the Company (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by this interim report.

## **COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY**

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry of the Relevant Employees, the Relevant Employees confirmed that they have complied with the required standard set out in the Model Code and the Written Guidelines throughout the accounting period covered by this interim report.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises three members, being the three independent non-executive directors of the Company. The Audit Committee has reviewed the Company's unaudited consolidated interim financial statements for the six months ended 30 September 2007 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

ON BEHALF OF THE BOARD

**Lau Kwai**

*Chairman*

Hong Kong  
19 December 2007