



**COSMOPOLITAN**

**INTERNATIONAL HOLDINGS LTD**

**四海國際集團有限公司**

(incorporated in the Cayman Islands with limited liability)  
(stock code : 120)



interim  
report  
2007

The background features three overlapping, semi-transparent images of cityscapes. The top-left image shows a modern city with a prominent tower. The middle image shows a city with a large bridge or highway. The bottom-left image shows a dense urban area with many buildings. A faint grid pattern is overlaid on the entire page.

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors:

Mr. Bong Shu Yin, Daniel (*Chairman*)  
Mr. Cheng Sui Sang

#### Non-Executive Directors:

Mr. Wang Baoning (*Vice Chairman*)  
Mr. Bong Shu Ying, Francis

#### Independent Non-Executive Directors:

Mr. Li Ka Fai, David  
Mr. Lee Choy Sang  
Ms. Ka Kit

### AUDIT COMMITTEE

Mr. Li Ka Fai, David (*Chairman*)  
Mr. Lee Choy Sang  
Ms. Ka Kit

### REMUNERATION COMMITTEE

Mr. Bong Shu Yin, Daniel (*Chairman*)  
Mr. Lee Choy Sang  
Mr. Li Ka Fai, David

### COMPANY SECRETARY

Mr. Cheng Sui Sang

### AUDITORS

SHINEWING (HK) CPA Limited

### REGISTERED OFFICE

P.O. Box 309  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A, 18th Floor  
211 Johnston Road  
Wanchai  
Hong Kong

### SHARE REGISTRARS AND TRANSFER OFFICE

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

### STOCK CODE

120

### PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
Industrial and Commercial Bank of China (Asia) Limited  
ABN AMRO Bank N.V.  
Deutsche Bank A.G.  
BNP Paribas

## GROUP RESULTS

The board of directors (the "Board") of Cosmopolitan International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30 September 2007 with comparative figures for the six months ended 30 September 2006 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

	NOTES	Unaudited Six months ended 30th September 2007 HK\$'000	Unaudited Six months ended 30th September 2006 HK\$'000
<b>Turnover</b>	3	<b>63,321</b>	2,149
Direct cost		<b>(52,437)</b>	(160)
Gross profit		<b>10,884</b>	1,989
Interest income		<b>3,965</b>	373
Other income		<b>141</b>	222
Administrative and operating expenses		<b>(5,385)</b>	(5,504)
Fair value changes of financial assets at fair value through profit or loss		<b>228,282</b>	291
Share of result of an associate		<b>—</b>	1,232
Finance costs		<b>(7,994)</b>	(1)
Profit / (loss) before taxation	4	<b>229,893</b>	(1,398)
Income tax expenses	5	<b>—</b>	—
<b>Profit / (loss) for the period</b>		<b>229,893</b>	(1,398)
<b>Attributable to:</b>			
Equity holders of the Company		<b>229,980</b>	(369)
Minority interests		<b>(87)</b>	(1,029)
		<b>229,893</b>	(1,398)
<b>Dividends</b>	6	<b>—</b>	—
<b>Earnings / (loss) per share</b>	7		
– Basic		<b>HK\$14.41cents</b>	HK\$(0.07)cents
– Diluted		<b>HK\$7.00cents</b>	N/A

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER 2007

	NOTES	Unaudited 30th September 2007 HK\$'000	Audited 31st March 2007 HK\$'000
<b>Non-current assets</b>			
Property and equipment	8	801	1,030
Investment properties		72,000	72,000
Goodwill		11,608	11,608
Available-for-sale investments		14,360	14,360
		<u>98,769</u>	<u>98,998</u>
<b>Current assets</b>			
Accounts receivable	9	1,017	1,040
Prepayments, deposits and other receivables		3,644	642
Financial assets at fair value through profit or loss	10	387,950	126,534
Pledged bank deposits	11	16,193	—
Bank balances and cash		226,155	36,349
		<u>634,959</u>	<u>164,565</u>
<b>Current liabilities</b>			
Accounts payable	12	1,195	681
Accrued liabilities and other payables		41,059	14,377
Amounts due to minority shareholders		3,427	3,316
		<u>45,681</u>	<u>18,374</u>
<b>Net current assets</b>		<u>589,278</u>	<u>146,191</u>
<b>Total assets less current liabilities</b>		<u>688,047</u>	<u>245,189</u>
<b>Non-current liability</b>			
Convertible bonds	13	251,649	52,035
		<u>436,398</u>	<u>193,154</u>
<b>Capital and reserves</b>			
Share capital		1,596	1,596
Reserves		433,827	190,496
<b>Equity attributable to equity holders of the Company</b>		<u>435,423</u>	<u>192,092</u>
<b>Minority interests</b>		<u>975</u>	<u>1,062</u>
<b>Total equity</b>		<u>436,398</u>	<u>193,154</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange fluctuation reserve	Contributed surplus (note)	Convertible bonds reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2007 (audited)	1,596	47,917	209	28,309	362	26,801	61,912	24,986	192,092	1,062	193,154
Profit for the period	-	-	-	-	-	-	-	229,980	229,980	(87)	229,893
Exchange difference arising on translation of overseas operation	-	-	-	-	(29)	-	-	-	(29)	-	(29)
Recognition on equity component of the convertible bonds	-	-	-	-	-	-	13,380	-	13,380	-	13,380
At 30th September 2007 (unaudited)	<u>1,596</u>	<u>47,917</u>	<u>209</u>	<u>28,309</u>	<u>333</u>	<u>26,801</u>	<u>75,292</u>	<u>254,966</u>	<u>435,423</u>	<u>975</u>	<u>436,398</u>
At 1st April 2006 (audited)	532	-	209	28,309	409	26,801	-	17,878	74,138	1,933	76,071
Exchange difference arising on translation of overseas operation	-	-	-	-	(77)	-	-	-	(77)	-	(77)
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	43	43
Loss for the period	-	-	-	-	-	-	-	(369)	(369)	(1,029)	(1,398)
At 30th September 2006 (unaudited)	<u>532</u>	<u>-</u>	<u>209</u>	<u>28,309</u>	<u>332</u>	<u>26,801</u>	<u>-</u>	<u>17,509</u>	<u>73,692</u>	<u>947</u>	<u>74,639</u>

**Note:** The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group reorganisation in 1991, net of subsequent distributions therefore. Under the Companies Law of Cayman Islands, the contributed surplus is distributed under certain specific circumstances.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

	<b>Unaudited Six months ended 30th September 2007 HK\$'000</b>	Unaudited Six months ended 30th September 2006 HK\$'000
Net cash (used in) / generated from operating activities	<b>(2,899)</b>	14,478
Net cash generated from / (used in) investing activities	<b>3,959</b>	(3,237)
Net cash generated from financing activities	<b>205,000</b>	—
Net increase in cash and cash equivalents	<b>206,060</b>	11,241
Cash and cash equivalents at beginning of the period	<b>36,349</b>	13,144
Effect of foreign exchange rate changes	<b>(61)</b>	(77)
Cash and cash equivalents at end of the period, representing bank balances and cash	<b>242,348</b>	24,308

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

## 1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liabilities. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate information" section to the interim report.

The condensed consolidated interim financial information for the six months ended 30th September 2007 ("Interim Financial Information") are presented in Hong Kong dollars, being the measurement currency of the Company and its subsidiaries ("the Group").

The principal activities of the Group are property investment and development, securities trading and provision of information technology services.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated Interim Financial Information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated Interim Financial Information have been prepared under the historical costs basis except for certain financial instruments, which are measured at fair values, as appropriate.

The condensed consolidated Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statement as at 31st March 2007.

The accounting policies used in the condensed consolidated Interim Financial Information for the six months ended 30th September 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2007.



## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group had applied, for the first time, a number of new standards, amendment and interpretations collectively referred to as "new HKFRSs" issued by the HKICPA, which are effective for accounting periods beginning 1st April 2007. The adoption of these new HKFRSs has had no material effect on how the results or financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st January 2008.

<sup>3</sup> Effective for annual periods beginning on or after 1st July 2008.

## 3. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### Business segments

The Group comprises the following main business segments:

- (a) Securities trading – invest in securities listed on global stock markets;
- (b) Property investment and development – invest in residential units for their rental income potential and property development; and
- (c) Information technology – provide information technology service and wireless internet access.

### 3. SEGMENT INFORMATION (Continued)

Segment information about these businesses is presented below:-

	Securities trading		Property investment and development		Information technology		Total	
	Unaudited		Unaudited		Unaudited		Unaudited	
	Six months ended 30th September 2007 HK\$'000	Six months ended 30th September 2006 HK\$'000	Six months ended 30th September 2007 HK\$'000	Six months ended 30th September 2006 HK\$'000	Six months ended 30th September 2007 HK\$'000	Six months ended 30th September 2006 HK\$'000	Six months ended 30th September 2007 HK\$'000	Six months ended 30th September 2006 HK\$'000
Segment turnover	63,316	—	—	—	5	2,149	63,321	2,149
Segment results	4,085	291	—	—	(1,163)	(304)	2,922	(13)
Interest income							3,965	373
Other income							141	222
Fair value changes of financial assets at fair value through profit or loss							235,081	—
Unallocated expenses							(4,222)	(3,211)
Finance costs							(7,994)	(1)
Share of result of an associate							—	1,232
Profit / (loss) for the period							229,893	(1,398)

### 4. PROFIT / (LOSS) BEFORE TAXATION

Profit / (loss) before taxation is stated after charging:

	Unaudited Six months ended 30th September 2007 HK\$'000	Unaudited Six months ended 30th September 2006 HK\$'000
Depreciation	260	318
Operating lease rental in respect of leasehold properties	339	152

## **5. INCOME TAX EXPENSES**

Hong Kong Profits Tax is calculated at 17.5% on estimated assessable profits, however, Hong Kong Profits Tax has not been provided for in the condensed consolidated interim financial statements as all group entities did not derive any assessable profits for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No tax is payable for other jurisdictions as the subsidiaries did not derive any assessable profits for both periods.

## **6. DIVIDENDS**

The directors of the Company did not recommend any payment of an interim dividend for the six months period ended 30th September 2007 (six months ended 30th September 2006: Nil).

## 7. EARNINGS / (LOSS) PER SHARE

The calculation of the basic and diluted earnings / (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>30th September 2007 HK\$'000</b>	30th September 2006 HK\$'000
Earnings / (loss)		
Earnings / (loss) for the purpose of basic earnings / (loss) per share (profit / (loss) for the period attributable to equity holders of the Company)	<b>229,890</b>	(369)
Effect of dilutive potential ordinary shares: Interest on convertible bonds (net of tax)	<b>7,994</b>	—
Earnings / (loss) for the purpose of diluted earnings / (loss) per share	<b>237,884</b>	(369)
	<b>2007 '000</b>	2006 '000
Numbers of shares		
Weighted average number of ordinary shares for the purpose of basic earnings / (loss) per share	<b>1,596,300</b>	532,100
Effect of dilutive potential ordinary shares: Convertible bonds	<b>1,800,000</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings / (loss) per share	<b>3,396,300</b>	532,100

No diluted loss per share has been presented for the period ended 30th September 2006 as there was no dilutive shares outstanding.

**8. PROPERTY AND EQUIPMENT**

During the period, the Group spent approximately HK\$14,000 on acquisition of property and equipment.

**9. ACCOUNTS RECEIVABLE**

The Group allows an average credit period of 30 to 60 days to its trade customers. The Group extends the normal credit term to 120 days to certain major and reputable customers.

The following is an aged analysis of the Group's accounts receivable at the balance sheet date :

	<b>Unaudited 30th September 2007 HK\$'000</b>	Audited 31st March 2007 HK\$'000
0 – 30 days	—	118
31 – 60 days	—	61
61 – 120 days	<b>7</b>	42
>120 days	<b>1,010</b>	819
	<hr/> <b>1,017</b> <hr/>	<hr/> 1,040 <hr/>

The fair values of the Group's accounts receivable at the balance sheet date were approximated to the corresponding carrying amounts.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at the balance sheet date comprise:

	<b>Unaudited 30th September 2007 HK\$'000</b>	Audited 31st March 2007 HK\$'000
Held for trading		
- equity securities listed in Hong Kong	<b>110,178</b>	83,843
Derivative		
- placement rights in respect of convertible bonds	<b>277,772</b>	42,691
	<b>387,950</b>	126,534

The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchange.

The fair value of the placement rights in respect of convertible bonds was valued by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuation was made by using Black-Scholas-Mergon Option pricing Model.

**11. PLEDGED BANK DEPOSITS**

Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$16,193,000 (At 31st March 2007: Nil) have been pledged to secure short-term banking facilities and are therefore classified as current assets. The pledged bank deposits will be released upon the termination of relevant banking facilities.

**12. ACCOUNTS PAYABLE**

The following is an aged analysis of the Group's accounts payable at the balance sheet date:

	<b>Unaudited 30th September 2007 HK\$'000</b>	Audited 31st March 2007 HK\$'000
0 – 30 days	110	257
31 – 60 days	67	83
61 – 120 days	261	150
>120 days	757	191
	<hr/> <b>1,195</b> <hr/>	<hr/> 681 <hr/>

The fair values of the Group's accounts payable at the balance sheet date were approximated to the corresponding carrying amounts.

### 13. CONVERTIBLE BONDS

On 17th May 2007, the Group issued one additional series of convertible bonds denominated in Hong Kong Dollars of 205,000,000 ("the Bonds") with maturity date on 17th May 2010 ("New Issue"). The Bonds bear no coupon interest and are unsecured.

The principal terms of the Bonds are as follows:

- Conversion rights are exercisable at any time between 16th July 2007 to 3rd May 2010.
- The holders of the Bonds are entitled to convert the Bonds into ordinary shares of the Company at a conversion price of HK\$0.205 per ordinary share.
- If the Bonds have not been converted, they will be redeemed on the maturity date at 115.97% of the outstanding principal amount of the Bonds.

The Bonds contain two components: liability component and equity component.

The equity component is presented in the Condensed Consolidated Statement of Changes in Equity heading "Convertible bonds reserve".

The effective interest rate of the liability component is 7.50% p.a.. The movement of the liability component of the bonds for the period is set out below:

	<b>HK\$'000</b>
Balance at 31st March 2007	52,035
Proceeds of New Issue	205,000
Equity components of New Issue	(13,380)
Effective interest	7,994
	<hr/>
Balance at 30th September 2007	251,649
	<hr/> <hr/>



#### 14. OPERATING LEASE COMMITMENT

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>Unaudited 30th September 2007 HK\$'000</b>	Audited 31st March 2007 HK\$'000
Within one year	521	766
In the second to fifth year inclusive	165	337
	<hr/> <b>686</b> <hr/>	<hr/> 1,103 <hr/>

Operating lease payments represent rental payable by the Group for certain of its office premises. The leases were negotiated for a term of one year and with fixed rentals.

#### 15. LITIGATION

A summons dated 18th October 2007 issued in the Supreme Court of the State of New York County of New York has been sent to Cosmopolitan Properties and Securities Limited ("CPSL"), a wholly owned subsidiary of the Company, requiring CPSL to answer a complaint lodged by Eric Edward Hotung, C.B.E. ("Eric Hotung") in which CPSL was named as a joint defendant with Sean Eric Mclean Hotung and Gabrielle Hotung-Davidsen and which relates to two properties in the Osborne apartment block in New York that are currently registered in the name of CPSL holding in trust for Eric Hotung. CPSL will be filing a defense vigorously against the said complaint and the allegation of any wrongdoings therein. Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 16. POST BALANCE SHEET EVENT

1. In October 2007, certain bondholders for aggregate principal amount HK\$61,500,000 of the Convertible Bonds due 2010 (total principal amount of HK\$205,000,000 before any conversion) converted the bonds into 300,000,000 new shares of the Company at HK\$0.205 per share. Immediately after such conversion, the issued shares capital of the Company has increased to HK\$1,896,300 comprising of 1,896,300,000 ordinary shares of HK\$0.001 each. The outstanding principal amount of the Convertible Bonds due 2010 after conversion has reduced to HK\$143,500,000.
2. On 14th November 2007, Mass Surplus International Limited ("Mass Surplus") (a wholly-owned subsidiary of the Company) entered into an Agreement with Regal International (BVI) Holdings Limited ("Regal International") (a wholly-owned subsidiary of Regal Hotels International Holdings Limited (Stock Code: 78 HK) ("Regal Hotels"), pursuant to which Mass Surplus agreed to purchase 50% of the entire issued share capital of Faith Crown Holdings Limited ("Faith Crown") at a consideration of US\$50 (equivalent to approximately HK\$390) from Regal International.

Faith Crown's wholly-owned subsidiary was the successfully bidder at the public land auction for the state-owned land use rights of a piece of land situated in Xindu District, Chengdu City, the PRC at a price of RMB 213,129,000 (equivalent to approximately HK\$223,785,000). This piece of land is for hotel and residential use and comprises three land parcels with a total site area of 112,000 square meters.

It is expected that the aggregate amount of funding contribution in Faith Crown made by Regal International and the Company shall not be higher than HK\$500,000,000, and consequently the Company's commitment to such funding contribution will not exceeding HK\$250,000,000. The transaction will be subject to the shareholders' approval at an extraordinary general meeting to be held in early 2008.

**16. POST BALANCE SHEET EVENT** *(Continued)*

3. On 7th December 2007, the Company announced the following four transactions proposed to be completed in early 2008:-

a) Acquisition of Advanced Industry Limited ("AIL")

On 26th November 2007, Greencity Investments Limited ("Greencity") (a wholly owned subsidiary of the Company), the Company, Global Luck Investments Limited ("Global Luck") and Mr Wang Yaping ("Mr Wang") entered into an Agreement pursuant to which Greencity has conditionally agreed to acquire from Global Luck the shares in AIL. The consideration of HK\$65 million shall be satisfied partly in cash in the amount of up to \$40 million and partly by the convertible bonds to be issued by Lanston Limited, a wholly owned subsidiary of the Company, in the aggregate principal amount of up to HK\$25 million and convertible into up to 41,666,665 new AIL conversion shares at the initial conversion price of HK0.60 per AIL conversion share (subject to adjustment). The cash consideration and the AIL convertible bonds shall be paid and/or issued according to certain achievement of milestones as prescribed in the Agreement. The AIL convertible bonds are guaranteed by the Company. If there is no conversion, the Group will redeem the AIL convertible bonds on the maturity date at 113.14% of the outstanding principal amount of the AIL convertible bonds, representing a yield to maturity of 5% per annum (compounded semi-annually).

b) Issue of convertible bonds due in 2013

On 6th December 2007, Apex Team Limited ("Apex"), a wholly owned subsidiary of the Company, and the Company as guarantor, entered into two separate Convertible Bonds ("CB") subscription agreements with Time Crest Investments Limited ("CB Purchaser A") together with Well Mount Investments Limited ("CB Option holder A") (both are wholly owned subsidiaries of Regal Hotels International Holdings Limited (Stock Code: 78 HK) ("Regal Hotels") and Jumbo Pearl Investments Limited ("CB Purchaser B") together with Sun Joyous Investments Limited ("CB Option holder B") (both are wholly owned by Paliburg Holdings Limited (Stock Code: 617 HK) ("Paliburg") respectively, pursuant to which Apex has conditionally agreed to (1) issue to the CB Purchaser A the subscription bonds in the principal amount of HK\$100 million, and in addition, to grant an option to the CB option holder A to subscribe for the optional bonds in the principal amount of HK\$100 million; and (2) issue to the CB Purchaser B the subscription bonds in the principal amount of HK\$100 million, and in addition, to grant an option to the CB option holder B to subscribe for the optional bonds in the principal amount of HK\$100 million respectively.

## 16. POST BALANCE SHEET EVENT (Continued)

The conversion price of each of these CB entitlements into ordinary shares of the Company will be HK0.60 per share (subject to adjustment).

Upon full conversion of the CB of HK\$400 million (consisting of the subscription bonds in the total principal amount of HK\$200 million and the optional bonds in the total principal amount of HK\$200 million), at the initial conversion price of HK\$0.60 per share (subject to adjustment), approximately 666,666,664 new ordinary shares will be issued. If there is no conversion, the Group will redeem the CB on the maturity date at 128.01% of the outstanding principal amount of the CB, representing a yield to maturity of 5% per annum (compounded semi-annually).

The conversion shares will be issued under a specific mandate which will be subject to the approval by the shareholders at the extraordinary general meeting.

### c) Issue of call option

On 6th December 2007, the Company entered into three separate independent call option agreements with three independent grantees, whereby the Company as grantor agreed to grant and the grantees agreed to be granted from the Company 150 million options, 100 million options and 50 million options respectively, at the option fee of HK\$1.5 million, HK\$1 million and HK\$0.5 million respectively, with the rights exercisable by the grantees individually to require, at any time during the option period, being the period commencing on the date of grant of the options and ending on twelve months after the date of grant of the options, the Company to procure the delivery of the option shares upon exercise of the options either by way of issuance and allotment of the new shares or by way of transfer of shares in issue (the choice of either way shall be at the sole discretion of the Company).

If the options are exercised within the first option period, being the period commencing from the date of grant of the options and ending the first 6-month period after the date of the option agreements, the first exercise share price of HK\$0.90 per Share (subject to adjustment) shall apply.

If the options are exercised within the second option period, being the period from the date immediately after the first option period and up to the end of the option period, the second exercise share price of HK\$6.00 per share (subject to adjustment) shall apply.

**16. POST BALANCE SHEET EVENT** *(Continued)*

The option prices for the options are fixed at HK\$270 million. The number of new shares to be issued will depend on the timing of the options being exercised and whether the first exercise share price or the second exercise share price will be adjusted according to its terms.

If the options are fully exercised and delivered by new ordinary shares, the option shares will be issued under the existing general mandate granted by the shareholders at the company's annual general meeting held on 31st July 2007.

The acquisition of AIL, the CB subscription agreements and the option agreements are not inter-conditional on each other.

d) Refreshment of general mandate

In view of the contemplated use of the existing general mandate for issue of the option shares, the existing general mandate may be substantially used up. The Directors will also seek the approval of the independent shareholders to the proposal to revoke (to the extent not already exercised or contemplated to be exercised for the issue of the option shares) and refresh the existing general mandate by the grant of the new general mandate to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with the additional shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the resolution approving the grant of the new general mandate.

On the basis of a total of 1,896,300,000 shares in issue as at the date of this report assuming that no other shares will be issued or repurchased between the date of this report and the extra-ordinary general meeting, the new general mandate (if granted) will empower the Directors to allot, issue or otherwise deal with up to a maximum of 379,260,000 new ordinary shares.

4. On 19 December 2007, the Company sold the group's investment of 7% equity interest in Mithian Investments Limited, which indirectly owns certain land interest in Au Tau, New Territories, Hong Kong at a consideration of HK\$14 million. Full consideration for the sales has been received at the time of this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

For the six months ended 30 September 2007, the Group achieved a net profit attributable to shareholders of approximately HK\$229,980,000, as compared with a net loss of approximately HK\$369,000 incurred in the comparative period in 2006. The significant improvement in the profit performance for the period under review was primarily attributable to the satisfactory profits realized from securities investment and trading as well as the increase in fair value of financial assets (including an increase of HK 235,081,000 in fair value of the placing rights in relation to the convertible bonds due 2009) marked to market prices as at 30 September 2007. Finance costs have increased during the period under review due to interest accrued on the issued and outstanding convertible bonds.

The turnover of the Group for the six months ended 30 September 2007 was HK\$63,321,000, which was 28.5 times more than the last comparative period. The increase was mainly attributable to the increased activities in securities and trading but the revenue generated from the information technology sector had however continued to decline significantly.

### INTERIM DIVIDEND

With a view to conserving cash for the planned business expansion, the Board have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

## REVIEW OF OPERATIONS

The principal activities of the Group continue to be investment in properties encompassing both development projects and property investments, securities and other investments, and the provision of information technology services.

The cash position of the Group continues to be strong and the Group is actively expanding its property investment portfolio, particularly on property development projects in the PRC. For the short to medium term, property related investments in PRC and Hong Kong will remain the prime focus for the Group's future business expansion.

On 17 May 2007, the Group issued convertible bonds in an aggregate principal amount of HK\$205,000,000 with maturity date on 17 May 2010. The convertible bonds bear no coupon rate and are unsecured, and entitled the bondholders to convert into ordinary shares of the Company at the initial conversion price of HK\$0.205 per share (subject to adjustment). The convertible bonds are redeemable on the maturity date at 115.97% of the outstanding principal amount of the convertible bonds, which is guaranteed by the Company. Up to the date of this report, convertible bonds in a principal amount of HK\$ 61,500,000 have been converted into 300,000,000 new ordinary shares of the Company.

## Property Investments

The Group acquired in January this year 10 duplex residential apartments and 14 car parks in Rainbow Lodge located at No. 9 Ping Shan Lane, Yuen Long, New Territories, Hong Kong for a total consideration of HK\$70 million. Part of the consideration in the amount of HK\$56 million was satisfied by the issue by the Group of the convertible bonds due 2009, over which the Group was granted certain placement rights. The apartment units were originally intended for rental purpose but the Group is presently considering a re-modeling of the units for resale to take advantage of the favourable market condition in the property sector in Hong Kong.

In January 2007, the Group entered into a development framework agreement with Shenyang Menrong Economic District (瀋陽滿融經濟區) in relation to the development of a comprehensive urban community within Caozhong District, Shenyang City, Liaoning Province, PRC. As certain detailed terms and provisions are still to be finalized and agreed, no definitive agreement has yet been entered into.

On 7 July 2007, the Group entered into an agreement with Mr. Luk Yan, a consultant to the Group, in respect of the acquisition of the entire issued share capital of Cecil Investments Limited which had signed a letter of intent in June 2007 with Shenyang Qi Pan Shan International Scenery and Tourism Development Zone Planning and Land Resource Bureau (瀋陽棋盤山國際風景旅遊開發區規劃和國土資源分局) to develop the Qi Pan Shan International Scenery and Tourism Development Zone (瀋陽棋盤山國際風景旅遊開發區). Pending further successful negotiations on the terms of the definitive agreement, no substantive progress on this proposed project has been achieved.



On 14 November 2007, Mass Surplus International Limited (a wholly-owned subsidiary of the Company) entered into a conditional agreement with a wholly-owned subsidiary of Regal Hotels International Holdings Limited (Stock Code: 78 HK) ("Regal Hotels"), pursuant to which Mass Surplus agreed to purchase a 50% equity interest in Faith Crown Holdings Limited (another wholly-owned subsidiary of Regal Hotels), whose wholly-owned subsidiary was the successful bidder at the public land auction held on 31 October 2007 for the state-owned land use rights of a land site situated in Xindu District, Chengdu City, PRC at the consideration of RMB213,129,000 (equivalent to approximately HK\$223,785,000). The land site comprises three land parcels with a total site area of about 112,000 square meters, prescribed for hotel and residential use. It is presently planned by Faith Crown that the land site be developed into a five star hotel together with related commercial areas with a total gross floor area of over 200,000 square meters and residential accommodation with a total gross floor area of about 315,000 square meters. It is presently anticipated that construction works will commence in early 2008 and targeted to be completed in stages from late 2009.

It is expected by the parties to this proposed joint venture that the total aggregate funding required to be contributed to Faith Crown shall not be higher than HK\$500,000,000 and consequently, the Group's commitment to this joint venture project will not exceed HK\$250,000,000. This proposed participation in this joint venture constitutes a major transaction of the Company under the Listing Rules and is conditional upon, among others, approval by the shareholders at the extraordinary general meeting to be convened.

Lately on 26 November 2007, Greencity Investments Limited (a wholly-owned subsidiary of the Company), the Company, Global Luck Investments Ltd. ("Global Luck") and Mr. Wang Yaping entered into an agreement pursuant to which Greencity has conditionally agreed to acquire from Global Luck a 60% equity interest in Advanced Industry Limited ("AIL") at a total consideration of up to HK\$65,000,000. The consideration shall be satisfied partly in cash in an aggregate amount of up to HK\$40,000,000 and partly by the issue by the Group of convertible bonds in an aggregate amount of up to HK\$25,000,000, which will be convertible into a maximum of 41,666,665 new ordinary shares of the Company at an initial conversion price of HK\$0.6 per share (subject to adjustment). The final amount of the cash consideration to be paid and the convertible bonds to be issued will be determined by reference to the status of achievement of the milestones prescribed in the agreement.

If this proposed transaction is duly completed and all the prescribed milestones are achieved, the Group will own a 60% equity interest in ALL which, in turn, will have certain rights of plantation and development over 28,000 acres of land in Urumuqi, the capital city of Xinjiang Province, the PRC, within which construction land site of not less than 8,400 acres will be permitted for commercial and residential development uses without any land premium payment for the land use rights. Details of this proposed transaction were contained in the announcement dated 7 December 2007 published by the Company.

## **Securities Investments**

The Group continues to maintain an active investment portfolio of listed and unlisted assets in Hong Kong. Total financial assets at fair value stood at HK\$387,950,000 at 30 September 2007, as compared with HK\$126,534,000 at 31 March 2007. The financial assets as at 30 September 2007 included an amount of HK\$277,772,000 which represented the fair value of the placement rights in relation to the convertible bonds due 2009 as mentioned in our last annual report for the year ended 31 March 2007.

## **Information Technology**

The Group's information technology business, provides fully integrated software solution to both hotel management system and operators. Competitions are keen and the operating result was below expectation. Its performance is being reviewed by the Group's management and a change in the future strategy may be possible.

## **Issue of Convertible Bonds due 2010**

The issue of the Convertible Bonds in the principal amount of HK\$205 million due 2010 on 17 May 2007 are primarily for fund raising purposes, which is expected to strengthen the Group's capital base and is in the interests of the Company and its shareholders as a whole.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

Current assets and current liabilities of the Group as at 30 September 2007 were HK\$634,959,000 and HK\$45,681,000 respectively (31 March 2007 : HK\$164,565,000 and HK\$18,374,000 respectively). Bank balances and cash stood at HK\$242,348,000 as at 30 September 2007 in comparison with HK\$36,349,000 as at 31 March 2007.

The Group's gearing ratio as at 30 September 2007 based on the net borrowings (represented by convertible bond borrowings net of bank balances and cash) as a percentage of the net assets after deducting goodwill and minority interests were at 2.2%.

As at 30 September 2007, part of the bank deposits of the Group in the amount of HK\$16,193,000 was charged to banks to secure general banking facilities.

The Group has limited exposure to the foreign exchange fluctuation risks as most of its revenue are denominated in Hong Kong dollars and Renminbi, being the same currencies in which the Group's costs and expenses are denominated. During the period under review, the Group did not use any financial instruments for hedging purposes and there was no hedging instrument outstanding as at 30 September 2007.

During the period under review, there was no change to the share capital of the Company.

## **CONTINGENT LIABILITIES**

That is no contingent liabilities of the Group as at 30 September 2007.

## **CAPITAL COMMITMENT**

The Group has no capital commitment outstanding as at 30 September 2007.

## OUTLOOK AND POST BALANCE SHEET EVENTS

The Hong Kong economy generally continues to perform well with unemployment rate at 9½ year record low level, as the HKSAR adapts itself to take advantage of the globalization process and the rapid development in the PRC. Overall economic growth in the PRC is set to further continue and business prospects are promising, particularly in the real estate sector. The Group is actively reviewing a number of potential development projects primarily in the PRC with a view to expanding the Group's property development and investment portfolio.

During October 2007, certain bondholders of the convertible bonds due 2010 (total principal amount of HK\$205,000,000 before any conversion) converted the bonds for aggregate principal amount of HK\$61,500,000 into 300,000,000 new ordinary shares of the Company at HK\$0.205 per share. Immediately after such conversion, the issued ordinary share capital of the Company has increased to HK\$1,896,300 comprising of 1,896,300,000 ordinary shares of HK\$0.001 each. The outstanding principal amount of the convertible bonds due 2010 after such conversion has reduced to HK\$143,500,000.

The proposed investments in the Xindu project in Chengdu and the Urumuqi project in Xinjiang Province, PRC as mentioned in the earlier paragraph are expected to contribute substantially to the future business expansion of the Group. The Management remains positive on the prospect of the Company and to cater for the need of resources to fund future expansion, the Company has recently announced on 7 December 2007 new fund raising exercises, proposed through the issue of further convertible bonds as well as call options.

## Convertible Bonds due 2013

On 6 December 2007, Apex Team Limited (“Apex”), a wholly-owned subsidiary of the Company, as issuer and the Company as guarantor entered into two separate convertible bond subscription agreements with the CB Purchaser A together with the CB Option holder A (as defined in our announcement dated 7 December 2007), both wholly-owned subsidiaries of Regal Hotels; and the CB Purchaser B together with the CB Option holder B (as defined in our announcement dated 7 December 2007), both are wholly-owned subsidiaries of Paliburg Holdings Ltd., whose ordinary shares are listed on the main board of the Stock Exchange (Stock Code: 617 HK) respectively, pursuant to which Apex has conditionally agreed to (1) issue to the CB Purchaser A the subscription bonds in the principal amount of HK\$100 million, and in addition, to grant an option to the CB Option holder A to subscribe for the optional bonds in the principal amount of HK\$100 million; and (2) issue to the CB Purchaser B the subscription bonds in the principal amount of HK\$100 million, and in addition, to grant an option to the CB Option holder B to subscribe for the optional bonds in the principal amount of HK\$100 million, respectively.

If the aforesaid convertible bonds including the subscription bonds in the total principal amount of HK\$200 million and the optional bonds in the total principal amount of HK\$200 million are fully subscribed and converted at the initial conversion price of HK\$0.6 per share (subject to adjustment), approximately 666,666,664 new ordinary shares of the Company will be issued.

This proposed issue of the aforesaid convertible bonds are aimed to effectively reducing the cost of capital and if the bonds are converted into new shares, to broaden the capital base of the Company.

## Call Option

On 6 December 2007, the Company entered into three separate independent call option agreements with three independent investors whereby the Company as grantor agreed to grant to these investors an aggregate of 300,000,000 options for an aggregate option fee of HK\$3 million, with the rights exercisable by the grantees individually at any time during the option period of 12 months, to require the Company to procure the delivery of the option shares upon exercise of the options, either by way of issuance and allotment of new ordinary shares or by way of transfer of shares in issue (the choice of either way shall be at the sole discretion of the Company).

If the options are exercised within the 1st exercise period commencing on the date of issue of the options to the end of the first 6 months after the date of the agreement, the 1st exercise share price of HK\$0.90 per share shall apply. If the options are exercised after the 1st exercise period, the 2nd exercise price of HK\$6.00 per share shall apply. This is a further fund raising exercise intended to generate more funds and income for the Company.

Further details on the proposed issue of the convertible bonds due 2013 and the grant of the call options were contained in our relevant announcement dated 7 December 2007.

## Refreshment of General Mandate

In view of the contemplated use of the existing general mandate for issue of the option shares as mentioned above, the existing general mandate may be substantially used up. The Directors will also seek the approval of the independent shareholders to the proposal to revoke (to the extent not already exercised or contemplated to be exercised for the issue of the option shares above-mentioned) and refresh the existing general mandate by the grant of a new general mandate to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with additional shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the resolution approving the grant of the new general mandate. This refreshment is necessary to enable the Company to take advantage of any future opportunities that may arise in the highly competitive market by issuing new shares to raise more funds or to acquire new assets in line with the expansion plan.

## **Disposal of Au Tau Land Interest**

On 19 December 2007, the Company sold the Group's investment of 7% equity interest in Mithian Investments Limited, which indirectly owns certain land interest in Au Tau, New Territories, Hong Kong at a consideration of HK\$14 million. Full consideration for the sales has been received at the time of this report.

## **HUMAN RESOURCES**

As at 30 September 2007, the Group has 2 executive directors, 2 non-executive directors and 3 independent non-executive directors. There are 28 full time employees working in Hong Kong and PRC. The Group will ensure each employee is fairly compensated and their contributions are rewarded within a general framework of the Group's salary and bonus scheme.

## **SHARE OPTION SCHEME**

On 20 August 2003, the Company adopted a share option scheme in accordance with Chapter 17 of the Listing Rules. As at the date of this report, no share options have been offered and/or granted to any participants under the share option scheme.

## **PURCHASE, REDEMPTION OR SALE OF OWN 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 period under review.

## **DIRECTORS' SERVICE CONTRACTS**

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 30 September 2007 or at any time during the six months ended 30 September 2007.

## **DIRECTORS' INTERESTS IN SHARES**

According to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), as at 30 September 2007, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in SFO.

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses' or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.



## SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 September 2007, so far as being known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of Substantial Shareholder	Number of Issued Ordinary Shares Held	Number of Underlying Ordinary Shares (Unissued) Held	Total number of Ordinary Shares (Issued and Unissued) Held	Approximate percentage of the Issued Ordinary Shares as at 30 September 2007
Space Capital Investments Limited (Note 1)	858,215,218	—	858,215,218	53.76%
Giant Sino Group Limited (Note 1)	858,215,218	—	858,215,218	53.76%
Favor Hero Investments Limited (Note 2)	123,871,078	—	123,871,078	7.76%
Prosperity Investment Holdings Limited (Note 2)	123,871,078	—	123,871,078	7.76%
Yield High Investments Limited (Note 3)	—	375,000,000	375,000,000	23.49%
United Gold Investments Limited (Note 3)	—	375,000,000	375,000,000	23.49%
South Joint Investments Limited (Note 4)	—	125,000,000	125,000,000	7.83%
Prosperluck Investments Limited (Note 4)	—	125,000,000	125,000,000	7.83%
Century City International Holdings Limited (Notes 5 to 7)	185,460,000	1,300,000,000	1,485,460,000	93.06%
Century City BVI Holdings Limited (Notes 5 to 7)	185,460,000	1,300,000,000	1,485,460,000	93.06%

Name of Substantial Shareholder	Number of Issued Ordinary Shares Held	Number of Underlying Ordinary Shares (Unissued) Held	Total number of Ordinary Shares (Issued and Unissued) Held	Approximate percentage of the Issued Ordinary Shares as at 30 September 2007
Paliburg Holdings Limited (Notes 5 to 7)	185,460,000	1,300,000,000	1,485,460,000	93.06%
Paliburg Development BVI Holdings Limited (Notes 5 to 7)	185,460,000	1,300,000,000	1,485,460,000	93.06%
Lendas Investments Limited (Note 5)	—	800,000,000	800,000,000	50.12%
Winart Investments Limited (Note 5)	180,000,000	—	180,000,000	11.28%
Regal Hotels International Holdings Limited (Notes 6 & 7)	5,460,000	500,000,000	505,460,000	31.66%
Regal International (BVI) Holdings Limited (Notes 6 & 7)	5,460,000	500,000,000	505,460,000	31.66%
Valuegood International Limited (Note 6)	—	500,000,000	500,000,000	31.32%

*Notes:*

- Under the SFO, Space Capital Investments Limited is deemed to be interested in 858,215,218 shares held by Giant Sino Group Limited, which is beneficially wholly-owned by Space Capital Investments Limited.
- Under the SFO, Mr. Lam Kwing Wai, Alvin Leslie is deemed to be interested in 123,871,078 shares held by Prosperity Investment Holdings Limited, whose ordinary shares are listed on the main board of the Stock Exchange (Stock Code : 310 HK), which is beneficially majority owned by Favor Hero Investments Limited, which is beneficially owned by Mr. Lam Kwing Wai, Alvin Leslie.
- United Gold Investments Limited is a wholly-owned subsidiary of Yield High Investments Limited which is in turn wholly- owned by Mr. Luk Yan. Each of Yield High Investments Limited and Mr. Luk Yan is deemed to be interested in 375,000,000 underlying shares.

4. Under the SFO, Mr. Wang Yi Chuan is deemed to be interested in HK\$125,000,000 underlying shares held by Prosperluck Investments Limited, which is beneficially owned by South Joint Investments Limited, which is beneficially owned by Mr. Wang Yi Chuan.
5. Lendas Investments Limited ("Lendas") and Winart Investments Limited ("Winart") are wholly-owned subsidiaries of Paliburg Development BVI Holdings Limited ("PDBVI"), which in turn is a wholly owned subsidiary of Paliburg Holdings Limited, whose ordinary shares are listed on the main board of the Stock Exchange (Stock Code: 617 HK) ("PHL"). PHL is a listed subsidiary of Century City BVI Holdings Limited ("CCBVI") (holding 53% shareholding interests in PHL as at 30 September 2007). CCBVI is a wholly owned subsidiary of Century City International Holdings Limited, whose ordinary shares are listed on the main board of the Stock Exchange (Stock Code: 365 HK) ("CCIHL") (being owned as to 55.68% by Mr. Lo Yuk Sui ("Mr. Lo") as at 30 September 2007). Accordingly, the interests in issued and unissued ordinary shares of the Company held by Lendas and Winart are deemed to be interests held by PDBVI, PHL, CCBVI, CCIHL and Mr. Lo.
6. Valuegood International Limited ("Valuegood") is a wholly-owned subsidiary of Regal International (BVI) Holdings Limited ("Regal BVI"), which in turn is a wholly-owned subsidiary of Regal Hotels International Holdings Limited, whose ordinary shares are listed on the main board of the Stock Exchange (Stock Code: 78 HK) ("RHIHL"). RHIHL is a listed associate of PDBVI (holding 44.72% shareholding interests in RHIHL as at 30 September 2007). Accordingly, the interests in unissued ordinary shares of the Company held by Valuegood are deemed to be interests held by Regal BVI, RHIHL and PDBVI and, based on information disclosed in note (5) above, also by PHL, CCBVI, CCIHL and Mr. Lo.
7. The interests in 5,460,000 issued ordinary shares of the Company are held through wholly-owned subsidiaries of Regal BVI. Accordingly, the interests in 5,460,000 issued ordinary shares of the Company are deemed to be interests held by Regal BVI, RHIHL, PDBVI, PHL, CCBVI, CCIHL and Mr. Lo.

Other than as disclosed above, the Company had not been notified of any other interest representing 5% or more of the Company's shares and underlying shares as at 30 September 2007.

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the period ended 30 September 2007 with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviations.

The Company appointed its chairman, Mr. Bong Shu Yin, Daniel and vice-chairman, Mr. Wang Baoning on 20 December 2006 but does not have any officer with the title of "chief executive officer". Management is delegated to two executive directors, namely, Mr. Bong Shu Yin, Daniel and Mr. Cheng Sui Sang who are mainly in charge of the overall management of the Company. The Directors intended to maintain this structure for the time being as it believes that this structure can ensure efficient and effective formulation and implementation of business strategies.

The non-executive directors and the independent non-executive directors of the Company were not appointed for specific terms as required by the Code, but are subject to retirement by rotation and re-election in accordance with the Company's articles of association (Code Provision A.4.1).

## AUDIT COMMITTEE

In accordance with the Appendix 14 of the Listing Rules, the Directors established an audit committee since 1999 and the audit committee currently comprises three independent non-executive directors, namely Mr. Li Ka Fai, David, Mr. Lee Choy Sang and Ms. Ka Kit.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers" (the Model Code") as set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September 2007.

## REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 20 December 2005, in accordance with the requirement of the Code. The remuneration committee, presently comprising the chairman, Mr. Bong Shu Yin, Daniel and two independent non-executive directors, namely Mr. Li Ka Fai, David and Mr. Lee Choy Sang. The remuneration committee holds at least one meeting every year. The principal responsibilities of the remuneration committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of the senior management. Remuneration and the employment contracts of new appointing directors have to be reviewed and approved by the remuneration committee. Compensation of removal and dismissal of directors has to be reviewed and approved by the remuneration committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

By Order of the Board  
**Bong Shu Yin Daniel**  
*Chairman and Executive Director*

Hong Kong, 21 December 2007