

living our



WENRY GROUP
OLDINGS LIMITED
鎮科集團控股有限公司

Stock code: 0859

2008/2009
Interim Report

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CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Ng Chun For, Henry (*Chairman*)
Mr. Ng Ian (*Deputy Chairman and Chief Executive Officer*)
Mr. Chan Kwai Ping, Albert
Mr. Li Man Hin

Non-executive directors

Mr. Mak Wah Chi
Mr. Cheng Yuk Wo
(*retired on 29 August 2008*)

Independent non-executive directors

Mr. Li Kit Chee
Mr. Ng Hoi Yue
Mr. Tsang Kwok Ming, Rock

Audit Committee

Mr. Li Kit Chee (*Committee Chairman*)
Mr. Mak Wah Chi
Mr. Ng Hoi Yue

Remuneration Committee

Mr. Li Kit Chee (*Committee Chairman*)
Mr. Mak Wah Chi
Mr. Tsang Kwok Ming, Rock

Company Secretary

Mr. Lee Pui Lam

Qualified Accountant

Mr. Lee Pui Lam

Authorised Representatives

Mr. Ng Ian
Mr. Chan Kwai Ping, Albert

Head Office and Principal Place of Business

22/F., Jardine Center
50 Jardine's Bazaar
Causeway Bay
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Auditor

Shu Lun Pan Horwath Hong Kong CPA Limited

Principal Share Registrar and Transfer Office

Butterfield Corporate Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Stock Code

859

Corporate Website

www.henrygroup.hk

CONDENSED CONSOLIDATED INCOME STATEMENT

The board of directors (the "Board") of Henry Group Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2008, together with the comparative figures for the corresponding period in last year as follows:

		Unaudited	
		Six months ended 30 September	
	Notes	2008 HK\$'000	2007 HK\$'000
Continuing operations:			
Turnover	3	12,493	9,146
Other operating income		370	261
Administrative and other operating expenses		(12,454)	(13,285)
Finance costs	4	(10,728)	(6,116)
Impairment loss on goodwill		—	(18,634)
Gain on disposal of subsidiaries		—	6,695
Revaluation gain on investment properties		25,210	39,000
Profit before taxation	5	14,891	17,067
Taxation	6	(4,595)	(7,040)
Profit for the period from continuing operations		10,296	10,027
Discontinued operations:			
Loss for the prior period from discontinued operations		—	(1,543)
Profit for the period		10,296	8,484



CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

		Unaudited	
		Six months ended 30 September	
Notes		2008	2007
		HK\$'000	HK\$'000
Attributable to:			
— Equity holders of the Company		10,296	8,484
— Minority interests		—	—
<hr/>			
Profit for the period		10,296	8,484
<hr/>			
Earnings per share	8		
— Basic (HK cents)			
From continuing and discontinued operations		1.99	3.13
From continuing operations		1.99	3.70
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— Diluted (HK cents)			
From continuing and discontinued operations		1.98	2.60
From continuing operations		1.98	3.02
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Dividends	7	—	—
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CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		1,798	1,262
Investment properties	9	1,020,000	590,000
Properties under development		—	384,062
Interest in a jointly controlled entity		67,322	—
Derivative financial instruments		3,585	—
Deposit paid for acquisition		70,000	70,000
		1,162,705	1,045,324
Current assets			
Due from a jointly controlled entity		13,978	—
Trade and other receivables	10	7,133	8,925
Cash and bank balances		35,454	55,728
		56,565	64,653
Current liabilities			
Trade and other payables, rental deposits received and accruals		20,211	13,652
Bank borrowings — current portion (secured)	11	27,637	2,423
Tax payable		1,285	558
		49,133	16,633
Net current assets		7,432	48,020
Total assets less current liabilities		1,170,137	1,093,344



CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
	Notes		
Non-current liabilities			
Bank borrowings — non-current portion (secured)	11	410,650	403,650
Convertible notes	12	121,441	114,845
Advances from a minority shareholder		698	698
Deferred tax liabilities	13	98,677	94,908
		631,466	614,101
Net assets		538,671	479,243
Equity			
Share capital	14	53,154	50,271
Reserves		485,517	428,972
Total equity attributable to equity holders of the company		538,671	479,243
Minority interests		—	—
Total equity		538,671	479,243

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Special reserve	Capital reserve	Convertible note equity reserve	Share-based payment reserve	Hedging reserve	Contribution from shareholders	Exchange reserve	Minority interest	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007 (Audited)	22,481	33,436	9,628	1,519	—	726	—	—	1,536	—	(73,145)	(3,819)
Share issued as part of the consideration for acquisition of subsidiaries	6,130	110,333	—	—	—	—	—	—	—	—	—	116,463
Release of capital portion of advances from related parties	—	—	—	(593)	—	—	—	—	—	—	—	(593)
Recognition of share based payments	—	—	—	—	—	4,474	—	—	—	—	—	4,474
Recognition of equity component of convertible note	—	—	—	—	47,787	—	—	—	—	—	—	47,787
Disposal of subsidiary	—	—	—	—	—	—	—	(1,536)	—	—	1,536	—
Exercise of share options	114	775	—	—	—	(114)	—	—	—	—	—	775
Share issued at premium, net of expenses	4,496	48,858	—	—	—	—	—	—	—	—	—	53,354
Net profit for the period	—	—	—	—	—	—	—	—	—	—	8,484	8,484
At 30 September 2007 (Unaudited)	33,221	193,402	9,628	926	47,787	5,086	—	—	—	—	(63,125)	226,925
Share issued as part of the consideration for acquisition of subsidiaries	10,590	138,729	—	—	—	—	—	—	—	—	—	149,319
Share issued at premium, net of expenses	6,460	67,858	—	—	—	—	—	—	—	—	—	74,318
Recognition of equity component of convertible note	—	—	—	—	17,490	—	—	—	—	—	—	17,490
Discount arising on acquisition of subsidiaries	—	—	—	—	—	—	—	11,855	—	—	—	11,855
Net loss for the period	—	—	—	—	—	—	—	—	—	—	(664)	(664)
At 1 April 2008 (Audited)	50,271	399,989	9,628	926	65,277	5,086	—	11,855	—	—	(63,789)	479,243
Share issued as part of the consideration for acquisition of subsidiaries	2,883	19,883	—	—	—	—	—	—	—	—	—	22,766
Net gain on cash flow hedges	—	—	—	—	—	—	3,585	—	—	—	—	3,585
Discount arising on acquisition of subsidiaries	—	—	—	—	—	—	—	22,781	—	—	—	22,781
Net profit for the period	—	—	—	—	—	—	—	—	—	—	10,296	10,296
At 30 September 2008 (Unaudited)	53,154	419,872	9,628	926	65,277	5,086	3,585	34,636	—	—	(53,493)	538,671



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited
Six months ended 30 September

	2008 HK\$'000	2007 HK\$'000
Net cash generated (used in)/from operating activities	(5,082)	2,176
Net cash generated (used in)/from investing activities	(43,271)	4,542
Net cash generated from financing activities	27,443	47,301
Net (decrease)/increase in cash and cash equivalents	(20,910)	54,019
Cash and cash equivalents at beginning of the period	55,727	1,680
Cash and cash equivalents at end of the period	34,817	55,699
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	35,454	56,647
Bank overdraft	(637)	(948)
	34,817	55,699

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed financial statements 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 (“HKICPA”) and with the applicable 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. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost basis, except for investment properties and derivative financial instruments, which have been measured at fair values, as appropriate.

The accounting policies used in the unaudited condensed financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2008. In addition, the Group has applied the following accounting policies during the current interim period:

(a) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the group or company and other parties, where the contractual arrangement establishes the group or company and one or more of the other parties share joint control over the economic activity of the entity.

The results and assets and liabilities of jointly controlled entity are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group’s share of the net assets of the jointly controlled entities, less impairment in the value of individual investments.



(b) Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecast transaction or of the foreign currency risk on a firm commitment (cash flow hedge).

Cash flow hedge

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in the hedging reserve. Where the forecast transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in the hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in the hedging reserve are transferred to the consolidated profit and loss account and classified as income or expense in the same periods during which the hedged firm commitment or forecast transaction affects the consolidated profit and loss account.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions — property leasing and development, property agency services and securities investment. These divisions form the basis on which the Group reports its primary segment information.

(a) Business segments

	Unaudited Six months ended 30 September 2008								
	Continuing operations				Discontinued operations				
	Property leasing and development	Provision of property agency services	Securities investment	Total	Design and manufacture of computer motherboard and network products	Supply of computer related products	Supply of mobile storage products and related	Total	Consolidated
GROSS PROCEEDS	9,996	2,497	15,153	27,646	—	—	—	—	27,646
TURNOVER	9,996	2,497	—	12,493	—	—	—	—	12,493
RESULTS									
Segment results	7,939	(1,320)	(10)	6,609	—	—	—	—	6,609
Increase in fair value of investment properties				25,210				—	25,210
Unallocated corporate income				290				—	290
Unallocated corporate expenses				(6,490)				—	(6,490)
Profit from operations				25,619				—	25,619
Finance costs				(10,728)				—	(10,728)
Profit before taxation				14,891				—	14,891
Taxation				(4,595)				—	(4,595)
Profit for the period				10,296				—	10,296



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Unaudited							
	Six months ended 30 September 2007							
	Continuing operations			Discontinued operations				
	Property leasing and development	Provision of property agency services	Total	Design and manufacture of computer motherboard and network products	Supply of computer related products	Supply of mobile storage and related products	Total	Consolidated
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
GROSS PROCEEDS	5,031	4,115	9,146	—	90,061	20,327	110,388	119,534
TURNOVER	5,031	4,115	9,146	—	90,061	20,327	110,388	119,534
RESULTS								
Segment results	3,204	482	3,686	—	1,755	580	2,335	6,021
Gain on disposal of subsidiaries			6,695				—	6,695
Increase in fair value of investment properties			39,000				—	39,000
Impairment loss on goodwill			(18,634)				—	(18,634)
Unallocated corporate income			246				992	1,238
Unallocated corporate expenses			(7,810)				(4,786)	(12,596)
Profit/(loss) from operations			23,183				(1,459)	21,724
Finance costs			(6,116)				(84)	(6,200)
Profit/(loss) before taxation			17,067				(1,543)	15,524
Taxation			(7,040)				—	(7,040)
Profit/(loss) for the period			10,027				(1,543)	8,484

(b) Geographical segments

Over 90% of the Group's revenue by location of customers were derived from property agency and property leasing and development regarding to investment properties located in Hong Kong and no geographical segments are presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. FINANCE COSTS

	Unaudited					
	Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
2008	2007	2008	2007	2008	2007	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Interest charge on bank borrowings						
— wholly repayable within five years	73	35	—	84	73	119
— wholly repayable after five years	4,059	3,602	—	—	4,059	3,602
Imputed interest on convertible notes wholly repayable within five years	6,596	2,479	—	—	6,596	2,479
	10,728	6,116	—	84	10,728	6,200

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging the followings:

	Unaudited					
	Six months ended 30 September					
	Continuing operations		Discontinued operations		Consolidated	
2008	2007	2008	2007	2008	2007	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Loss on disposal of property, plant and equipment	100	—	—	—	100	—
Depreciation	277	121	—	368	277	489



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION

	Unaudited	
	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
The charge comprises:		
Continuing operations		
Hong Kong profits tax for the period	826	213
Deferred tax (note 13)		
— Change in fair value on investment properties	4,411	6,827
— Effect of change in tax rate	(642)	—
	3,769	6,827
	4,595	7,040

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of estimated assessable profits for the period.

7. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2008 (2007: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share from continuing and discontinued operations is based on the following data:

	Unaudited Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Earnings		
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per share	10,296	8,484
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	5,267	2,479
Profit for the period attributable to the equity holders of the Company for the purpose of diluted earnings per share	15,563	10,963
	Unaudited Six months ended 30 September	
	2008 Number of ordinary shares	2007 Number of ordinary shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	514,998,053	271,086,226
Effect of dilutive potential ordinary shares:		
Share options	3,942,085	8,706,088
Convertible notes	172,724,661	134,485,009
Weighted average number of ordinary shares for the purpose of diluted earnings per share	691,664,799	414,277,323



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	Unaudited	
	Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per share	10,296	8,484
Less:		
Loss for the prior period attributable to the equity holders of the Company from discontinued operations	—	(1,543)
Profit for the period attributable to the equity holders of the Company for the purpose of basic earnings per share from continuing operations	10,296	10,027
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible notes	5,267	2,479
Profit for the purpose of diluted earnings per share attributable to the equity holders of the Company from continuing operations	15,563	12,506

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From discontinued operations

Basic loss per share attributable to the equity holders of the Company from the discontinued operations for the prior period is HK\$0.57 cents per share, based on the loss for the prior period attributable to the equity holders of the Company from discontinued operations of approximately HK\$1,543,000 and the denominators detailed above. No diluted loss per share attributable to the equity holders of the Company from discontinued operations is presented for the prior period as the potential ordinary shares have anti-dilutive impact.

9. INVESTMENT PROPERTIES

Fair value

At 1 April 2008 (Audited)

Transfer from property under development

Increase in fair value during the period

At 30 September 2008 (Unaudited)

HK'000
590,000
404,790
25,210
1,020,000

The investment properties of the Group were revalued as at 30 September 2008 by AA Property Services Limited, an independent professional valuer on an open market value basis.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables were trade receivables of approximately HK\$3,367,000 (net of provisions). The trade receivables mainly consist of agency fees receivable from customers and rental receivables. The agency fees receivable from customers are obliged to settle the amounts due upon the completion of the relevant agreements. The aged analysis of the Group's trade receivables, and net of provisions, is as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Up to 30 days	2,555	3,819
31–60 days	8	95
61–90 days	—	83
More than 90 days	804	2,127
	3,367	6,124

The directors consider the carrying amount of trade receivables approximates their fair value

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. BANK BORROWINGS — SECURED

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Borrowings comprised:		
Bank loans	437,650	405,650
Bank overdraft	637	423
	438,287	406,073
Current portion	27,637	2,423
Non-current portion	410,650	403,650

The maturity profile of the Group's bank borrowings was as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
On demand or within one year	27,637	2,423
After one year but within two years	3,450	6,800
After two years but within five years	23,850	24,900
Over five years	383,350	371,950
	438,287	406,073



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. CONVERTIBLE NOTES

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Proceeds of issues	171,730	171,730
Equity component	(65,277)	(65,277)
Liability component on initial recognition	106,453	106,453
Interest charged	14,988	8,392
Liability component at end of period	121,441	114,845

- (a) On 25 June 2007, the Company issued a convertible note in the principal amount of HK\$129,105,609 as part of the consideration for the acquisition of Max Act Enterprises Limited ("Max Act"). The convertible note bears interest at 1.68% per annum with maturity date of 5 years from the date of issuance and are repayable after 5 years from the date of issuance or convertible into shares of the Company at the initial conversion price of HK\$0.98 per share and subsequently adjusted to HK\$0.937 as a result of the completion of placing in November 2007. For details of adjustment to the conversion price, please refer to the Company's announcement dated 16 November 2007. No conversion was made during the period. The whole amount of the convertible note will be converted to 137,786,135 shares of the Company at the conversion price of HK\$0.937 per share. If there is no conversion, it will be repaid on the maturity date with the interest thereof.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The convertible note was split between the liability and equity component of approximately HK\$81,318,000 and HK\$47,787,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing the residual amount as the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible note equity reserve. The effective interest rate of the liability component is 11.41% per annum.

- (b) On 14 November 2007, the Company issued a convertible note in the principal amount of HK\$42,625,000 as part of the consideration for the acquisition of Seedtime International Limited ("Seedtime"). The convertible note bears interest at 1.68% per annum with a maturity date of 5 years from the date of issuance and is repayable after 5 years from the date of issuance or convertible into shares of the Company at the initial conversion price of HK\$1.25 per share subject to adjustment to take into account for capital transactions with dilutive effect. Subsequently, it was adjusted to HK\$1.22 as a result of taking into account the dilutive effect of the share placement in November 2007. No conversion was made during the period. The whole amount of the convertible note will be converted to 34,938,524 shares of the Company at the conversion price of HK\$1.22 per share. If there is no conversion, it will be repaid on the maturity date with the interest thereof.

The convertible note was split between the liability and equity component of approximately HK\$25,135,000 and HK\$17,490,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing the residual amount as the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible note equity reserve. The effective interest rate of the liability component is 12.95% per annum.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities for the period are as follows:

	Accelerated depreciation HK\$'000	Revaluation of investment properties HK\$'000	Revaluation of property under development HK\$'000	Total HK\$'000
At 1 April 2008 (Audited)	(49)	63,134	31,823	94,908
Reclassification	—	31,823	(31,823)	—
Charge to income statement for the period (note 6)	—	3,769	—	3,769
At 30 September 2008 (Unaudited)	(49)	98,726	—	98,677

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2008 and at 30 September 2008	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2008 (Audited)	502,708,000	50,271
Shares issued as part of the consideration for acquisition of subsidiaries (Note)	28,834,355	2,883
At 30 September 2008 (Unaudited)	531,542,355	53,154

Note:

On 15 July 2008, the Company's issued share capital was increased by approximately HK\$2,883,000 as a result of the issue of 28,834,355 shares ("Consideration Shares") as part of the consideration for the acquisition of the entire issued share capital of Honeyguide Investments Limited ("Honeyguide") as set out in note 15. The fair value of the Consideration Shares, determined by the closing market price of HK\$0.79 per share on 15 July 2008 (being date of completion), amounted to approximately HK\$22,779,000.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. ACQUISITION OF SUBSIDIARIES

On 15 July 2008, Winning Pride Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of 100% equity interest in Honeyguide and a shareholder's loan of approximately HK\$34.5 million for a total consideration at a fair value of approximately HK\$58 million.

The discount on acquisition arising is as follows:

	HK\$'000
Total consideration	58,021
Fair value of net assets acquired	(80,802)
	<hr/>
Discount on acquisition (note)	22,781

Note: The excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is deemed as shareholders' contribution and credited to equity.

Details of the net assets acquired are as follows:

	Acquiree's fair value HK\$'000
Interest in a jointly controlled entity	67,324
Due from a jointly controlled entity	13,478
	<hr/>
	80,802
	<hr/>
Total consideration satisfied by:	
issue of shares (note 14)	22,779
cash	34,505
Direct expenses incurred for the acquisition	737
	<hr/>
	58,021

Honeyguide contributed approximately HK\$ Nil of turnover for the period from date of acquisition to balance sheet date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within one year	2,167	1,846
In the second to fifth year inclusive	601	929
	2,768	2,775

The Group as lessor

The Group rents out its investment properties under operating leases. Property rental income earned during the period is disclosed in note 3(a). Leases are negotiated for an average term of three to six years at fixed rental.

At the balance sheet date, The Group had contracted with tenants for the following future minimum lease receipts:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within one year	20,060	16,223
In the second to fifth year inclusive	22,281	15,850
	42,341	32,073



17. MATERIAL CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

During the period, the Group had the following material transactions and balances with connected and related parties:

- (a) Uni-Land Property Group Limited, being a minority shareholder of Uni-Land Property Consultants Limited (“Uni-Land”), a non-wholly owned subsidiary of the Group, provided advances with a fair value of approximately HK\$698,000 (as at 31 March 2008: HK\$698,000) to Uni-Land for its general working capital purpose. The advances are unsecured, interest-free and are repayable on 30 April 2010.

The advance was stated at fair value as of the balance sheet date which is estimated by discounting the nominal value of the loan at current market interest rate of similar financial instruments.

- (b) On 28 September 2007, Henry Group Management Limited (“HGML”), a wholly-owned subsidiary of the company entered into a loan agreement (“Loan Agreement”) with Uni-Land whereby HGML agreed to lend HK\$3 million to Uni-Land bearing an interest rate of 7.3% per annum and repayable on demand with 7 days prior written notice.

The Loan Agreement constitutes a connected transaction of financial assistance for the Company under Rule 14A.13(2)(a)(i) and 14A.66(2) of the Listing Rules and is thus exempt from independent shareholders’ approval requirement but is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.46 of the Listing Rules. For details of the Loan Agreement, please refer to the Company’s announcement dated 2 October 2007.

- (c) The Company has executed a proportional corporate guarantee in favour of a bank for banking facilities granted to Sky Dragon Limited, being a wholly-owned subsidiary of a jointly controlled entity of the Group amounted to approximately HK\$105 million (“Financial Assistance”) and the disclosure of the Financial Assistance pursuant to the Listing Rules as set out on page 33 and 34 of this interim report. For details of the Financial Assistance, please refer to the Company’s circular dated 2 June 2008.
- (d) Honeyguide provided advances approximately HK\$13,978,000, to Winner Ever Limited, being its jointly controlled entity which constitutes an advance to an entity of the Company as defined under the Listing Rules (“Advance”) and the disclosure of the Advance pursuant to the Listing Rules as set out on page 33 and 34 of this interim report. For details of the Advance, please refer to the Company’s circular dated 2 June 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited consolidated net profit attributable to shareholders for the six months ended 30 September 2008 increased by 21.36% to approximately HK\$10,296,000 (2007: HK\$8,484,000). Turnover of the Group from continuing operations for the interim period was approximately HK\$12,493,000, representing an increase of 36.60% as compared with approximately HK\$9,146,000 for the corresponding period of last year.

BUSINESS REVIEW

Ginza-Style Building Operations

Jardine Center, Causeway Bay (100% interest)

Turnover derived from Jardine Center for the six months ended 30 September 2008 amounted to approximately HK\$9,886,000, up by 96.50% from approximately HK\$5,031,000 for the corresponding period of last year. This was attributed to the first full six-month period worth of revenue contributions received since its acquisition in June 2007. Jardine Center achieved satisfactory occupancy and renewal rates at the end of September 2008.

L'hart, 487–489, Lockhart Road, Causeway Bay (100% interest)

In August 2008, the Group obtained the occupation permit for L'hart, a newly built Ginza-style building — the first in Hong Kong to have duplex retail floors. Strategically located in the shopping hub of Causeway Bay, L'hart is nestled within two renowned shopping malls and a renowned restaurant. L'hart offers consumers with a chic urban environment for dining and entertainment. Renovation work is substantially completed and the Group launched a comprehensive promotional program designed to attract tenants. L'hart will provide added growth impetus to the Group's Ginza-style building operation and further increase its recurring income base.

Project Under Development

8 Hau Fook Street, Tsim Sha Tsui (50% interest)

In July 2008, the Group acquired a 50% interest in a prime development site (situate at 8 Hau Fook Street, Tsim Sha Tsui) through the purchase of a 100% interest in the issued share capital of Honeyguide Investments Limited (the "Acquisition"). Superbly located in the heart of Tsim Sha Tsui, the project is intended to be developed into a composite building featuring Ginza-style shopping mall and serviced apartments that cater to both tourists and locals. Planning is now



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

well underway and piling work for the project is in progress. The project is scheduled to be completed in 2010. For details of the Acquisition, please refer to the Company's circular dated 2 June 2008.

No. 49–65 Yuyuan Road, Jiangan District, Shanghai (30% interest)

In November 2008, the Group completed the acquisition of entire interest in Uptodate Management Limited ("Uptodate") which indirectly owns a 30% interest in two parcels of adjoining land with a site area of approximately 10,837 square meters. Superbly located on Yuyuan Road in the prime Jiangan District, the site is intended to be developed into a Ginza-style shopping avenue with a gross floor area of approximately 70,846 square meters comprising basements, car park facilities and high accessibility via public transportation networks. The project is scheduled to be completed in 2012.

Property Agency Business — Uni-Land

The Uni-Land retail property agency business was the second largest revenue contributor to the Group for the period. During the period under review, a difficult business environment and intense market competition impeded Uni-land's performance. However, Uni-land is committed to further enhancing its operational efficiency to bolster business performance.

WAY FORWARD

In the face of unprecedented global financial turmoil and recent economic crisis, business sentiment will inevitably suffer, and Hong Kong will unavoidably be affected. However, Hong Kong is equipped with a solid and strong financial system, allowing the Territory to overcome the liquidity crisis and shore up economic growth. Furthermore, Mainland China will provide an oasis of stability amid the global turmoil. Consequently, management maintains an optimistic view toward Hong Kong and Mainland China's retail markets. With short supply of prime sites in the two regions, more and more retailers will be moving their businesses "upstairs". As the Company is a leading Ginza-style building developer, and still occupies a market niche that allows it to replicate its successful business model for further development, it is set to deliver attractive returns to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Turnover

The Group's turnover from continuing operations for the six months ended 30 September 2008 amounted to approximately HK\$12,493,000, representing an increase of 36.60% from approximately HK\$9,146,000 for the corresponding period last year. Increase in turnover was contributed by the revenue derived from Jardine Center's operation for the first full six-month since its acquisition in June 2007.

Increase in fair value of Investment Properties

The Group's newly built investment properties were revalued by an independent valuer producing a revaluation surplus of approximately HK\$25,210,000.

Finance costs

Finance costs consisting of imputed interests amortised on convertible notes and interests to bank charged to the income statement was approximately HK\$10,728,000 for the period under review (2007: HK\$6,116,000).

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2008, the Group's net asset value increased by 12.40% to approximately HK\$538,671,000 or HK\$1.01 per share from approximately HK\$479,243,000 or HK\$0.95 per share respectively as at 31 March 2008.

During the period under review, the Company issued 28,834,355 shares as the consideration for the acquisition of the entire issued share capital of Honeyguide Investments Limited ("Honeyguide Acquisition"). Details of the Honeyguide Acquisition are disclosed in the Company's circular dated 2 June 2008.

Operations of the Group are generally financed through internal resources and banking facilities provided by its principal bankers. With cash balances of approximately HK\$35,454,000 and undrawn revolving credit facilities of HK\$200 million as at 30 September 2008, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The use of derivative financial instruments was strictly controlled. All the derivative financial instruments entered into by the Group were solely used for management of the Group's interest rate exposure.

All bank borrowings were denominated in HK dollars and on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The Group's bank loans are mainly secured by corporate guarantees, the assignment of rental income and investment properties held by the Group with a total carrying value of approximately HK\$1,020,000,000 and with maturity profile set out as follows:

Repayable	As at 30 September 2008 HK\$'000
Within 1 year	27,637
After 1 year but within 2 years	3,450
After 2 years but within 5 years	23,850
Over 5 years	383,350

The Group's gearing ratio, calculated as total liabilities over total assets, was approximately 55.82% as at 30 September 2008.

SUBSEQUENT EVENT

After completion of the acquisition of entire interest in Uptodate Management Limited took place on 15 November 2008 ("Completion"), High Fly Investments Limited ("High Fly") became a non-wholly owned subsidiary of the Company. The possible continuing connected transaction entered by High Fly as disclosed in the Company's announcement dated 6 October 2008 and the Company's circular dated 27 October 2008 which was approved by independent shareholders of the Company at the special general meeting held on 11 November 2008 and constitutes as a continuing connected transaction as defined under the Listing Rules upon the Completion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2008, the Group had about 21 employees based in Hong Kong. The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job nature.

CONTINGENT LIABILITIES

	The Group	
	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Corporate guarantees given by the Company for banking facilities granted to certain subsidiaries	689,950	426,000
A corporate guarantee given by the Company for banking facilities granted to a subsidiary of the Group's jointly-controlled entity	105,000	—
	794,950	426,000

As 30 September 2008, amounts of approximately HK\$438.29 million (2007: HK\$406.07 million) had been utilised by subsidiaries and HK\$66.35 million (2007: HK\$ Nil) had been utilised by a subsidiary of the Group's jointly controlled entity.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

COMMITMENTS

Outstanding capital commitments at the end of the period in respect of:

	The Group	
	Unaudited	Audited
	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
Construction cost of properties under development		
Contracted for	—	14,764
Authorised but not contracted for	—	702
	—	15,466

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

DISCLOSURES PURSUANT TO RULES 13.13 AND 13.16 OF THE LISTING RULES

Advances to entities under Rules 13.13 and financial assistance to and guarantees given for facilities granted to the Company's affiliated company under Rule 13.16

The following disclosure summarises the advances and guarantees granted by the Group to (i) entity which exceeded 8% of the relevant percentage ratios under Rule 13.13 of the Listing Rules as at 30 September 2008, and (ii) the Company's affiliated companies which in aggregate exceeded 8% of the relevant percentage ratios under Rule 13.16 of the Listing Rules as at 30 September 2008:

Affiliated company	Attributable interest held by the Group %	Non-interest bearing advance (A) HK\$'000	Guarantee given by the Company (B) HK\$'000	Extent of Aggregate of guarantee guaranteed facilities utilised HK\$'000	advance and guarantee given (A + B) HK\$'000
Winner Ever Limited	50%	13,978 (Note 1)	105,000 (Note 2)	66,350	118,978

Notes:

- (1) The advance was interest free, unsecured and repayable on demand.
- (2) The proportional corporate guarantee is provided to Sky Dragon Limited, a wholly-owned subsidiary of Winner Ever Limited to secure the banking facilities granted by a bank to Sky Dragon Limited.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The proforma balance sheet of the affiliated company, as attributable to the Group, as at 30 September 2008 is as follows:

	HK\$'000
Non-current assets	115,618
Current assets	2,281
Current liabilities	(80,362)
Net current liabilities	(78,081)
Non-current liabilities	(12,838)
Shareholders' equity	24,699

OTHER INFORMATION

SHARE OPTION SCHEME

A share option scheme, which will expire on 2 September 2013, was adopted by the Company at the Annual General Meeting held on 3 September 2003. The primary purpose of the share option scheme is to provide incentives or reward the employees and other persons who may have contribution to the Group, and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group.

Under the share option scheme, the board of directors of the Company may offer to full time employees, including full time executive directors and non-executive directors, of the Company and/or its subsidiaries, and other eligible persons as specified under the terms of the share option scheme, to subscribe for shares in the Company in accordance with the terms of the share option scheme for the consideration of HK\$1 for each lot of share options granted. The total number of shares in respect of which options may be granted under the share option scheme is not permitted to exceed 53,154,235 shares, being 10% of the issued share capital of the Company at the date of approval of the refreshment of the 10% general limit at the Annual General Meeting held on 29 August 2008. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of the Company's shares in issue from time to time. The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

- (a) the closing price of shares at the date of grant of a share option;
- (b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

III OTHER INFORMATION (CONTINUED)

(c) the nominal value of a share.

Details of the share options granted by the Company pursuant to the share option scheme and the options outstanding as at 30 September 2008 were as follows:

Number of grantee	Option grant date	Exercise Share	Exercise price HK\$	Number of Share Options outstanding	Approximate percentage of interest in issued
Executive Directors	28 October 2005	28 October 2005 to 27 October 2015	0.676	6,000,000	1.13%
Executive Directors	2 April 2007	2 April 2007 to 1 April 2017	0.686	6,000,000	1.13%
Executive Directors	31 August 2007	31 August 2007 to 30 August 2017	1.156	3,000,000	0.56%
Independent non-executive Director	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.19%
Non-executive Directors	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.38%
Employee	2 April 2007	2 April 2007 to 1 April 2017	0.686	500,000	0.09%
Eligible persons	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,640,000	0.50%
				21,140,000	3.98%

OTHER INFORMATION (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 September 2008, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

(a) Long positions in ordinary shares of HK\$0.1 each of the Company

Number of Director	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Ng Chun For, Henry ("Mr. Ng")	Interest of controlled corporations	319,814,333 (Notes 1 and 2)	60.17%
Mr. Ng	Personal	94,634,096	17.80%
Mr. Ng Ian	Personal	13,366,871	2.51%
Mr. Chan Kwai Ping, Albert	Personal	13,366,871	2.51%

Note 1: Henry Jewellery Holdings Limited ("HJHL"), a company incorporated in the British Virgin Islands, owned 152,618,000 shares of the Company. Mr. Ng is entitled to exercise or control the exercise of 70%, more than one-third, of the voting rights of HJHL so he is deemed to be interested in all shares held by HJHL by virtue of the SFO.

III OTHER INFORMATION (CONTINUED)

Note 2: Jumbo Step International Limited (“Jumbo Step”), a company incorporated in the British Virgin Islands owned 167,196,333 shares of the Company, is wholly-owned by Mr. Ng. Mr. Ng is entitled to exercise or control the exercise of 100% of the voting rights of Jumbo Step.

(b) Long positions in underlying shares of the Company

(i) Share options

Under the share option scheme of the Company, share option may be granted to certain participants including the Directors and employees of the Company and its subsidiaries to subscribe for shares of the Company. Details of share options granted to Directors of the Company are as follows:

Name of Director	Option grant date	Exercise period	Exercise price HK\$	Number of share option outstanding	Approximate percentage of interest in issued share capital
Mr. Ng	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.38%
	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.38%
	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.19%
Mr. Ng Ian	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.38%
	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.38%
	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.19%
Mr. Chan Kwai Ping, Albert	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.38%
	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.38%
	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.19%
Mr. Mak Wah Chi	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.38%
Mr. Tsang Kwok Ming, Rock	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.19%
				18,000,000	3.39%

OTHER INFORMATION (CONTINUED)

(ii) Debentures

Name of Director	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Ng	Interest of a controlled corporation	172,724,659 (Note 3)	32.49%
Mr. Ng	Personal	13,160,000	2.48%
Mr. Ng Ian	Personal	1,880,000	0.35%
Mr. Chan	Personal	1,880,000	0.35%

Note 3: Jumbo Step is interested in 172,724,659 Shares by virtue of the convertible Notes in each of principal amount of HK\$129,105,609.21 and HK\$42,625,000 issued by the Company in June and November 2007 respectively (subject to conversion price adjustment). Mr. Ng is entitled to exercise or control the exercise of 100% of the voting rights of Jumbo Step.

(II) Interests and Short Positions in the Shares, Underlying Shares and Debentures of Associated Corporations of the Company

Long positions in the shares of associated corporations of the Company:

Name of Director	Name of associated corporation	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the associated corporation
Mr. Ng	HJHL (Note 1)	Personal beneficial owner	70	70%
Mr. Ng Ian	HJHL (Note 1)	Personal beneficial owner	10	10%
Mr. Chan Kwai Ping, Albert	HJHL (Note 1)	Personal beneficial owner	10	10%
Mr. Ng	Jumbo Step (Note 2)	Personal beneficial owner	1	100%



OTHER INFORMATION (CONTINUED)

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 2008, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 30 September 2008, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise been notified to the Company were as follows:

Long positions in ordinary shares of HK\$0.1 each of the Company

Name of shareholder	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Ng	Interest of controlled corporations (Notes 1 and 2)	492,538,992	92.66%
	Personal	112,794,096	21.22%
HJHL	Beneficial owner (Note 1)	152,618,000	28.71%
Jumbo Step	Beneficial owner (Note 2)	339,920,992	63.95%
Euphoria Limited	Beneficial owner	51,600,000	9.71%
Asset Managers (Asia) Company Limited	Interest of controlled corporation	51,600,000	9.71%
Asset Managers Holdings Co., Ltd.	Interest of controlled corporation	51,600,000	9.71%
Inchigo Asset Management International, Pte. Ltd.	Interest of controlled corporation	51,600,000	9.71%

OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 30 September 2008, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the interim period.

Audit Committee

The audit committee comprises an non-executive Director and two independent non-executive directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Chairman of the Audit Committee) and Mr. Ng Hoi Yue. The audit committee had 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 condensed financial statements for the period.

Compliance with the Model Code for Securities Transactions

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 as its own code of conduct regarding securities transactions by directors of the Company (the "Directors"). All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.



OTHER INFORMATION (CONTINUED)

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

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

By Order of the Board
Ng Ian
Chief Executive Officer

Hong Kong, 9 December 2008

The Directors of the Company as at the date of this report are:

Executive Directors

Mr. Ng Chun For, Henry (*Chairman*)
Mr. Ng Ian (*Deputy Chairman and Chief Executive Officer*)
Mr. Chan Kwai Ping, Albert
Mr. Li Man Hin

Non-executive Director

Mr. Mak Wah Chi

Independent non-executive Directors

Mr. Li Kit Chee
Mr. Ng Hoi Yue
Mr. Tsang Kwok Ming, Rock