



NAM HING HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 986)

Interim Report

2008/2009



CORPORATE INFORMATION

Directors

Mr. Lau Kwai (*Chairman*)
 Mr. Lau Chung Yim (*Managing Director and Chief Executive Officer*)
 Mr. Lau Chung Hung
 Mr. Lau Hing Hai
 Ms. Lau May Wah
 Mr. Leung Hon Ming*
 Mr. Pravith Vaewhongs*
 Mr. Yau Kwan Shan*

* *Independent Non-executive Directors*

Company Secretary and Qualified Accountant

Mr. Chan Kwok Choi, Stanley

Audit Committee

Mr. Yau Kwan Shan (*Chairman*)
 Mr. Leung Hon Ming
 Mr. Pravith Vaewhongs

Remuneration Committee

Mr. Lau Chung Yim (*Chairman*)
 Mr. Leung Hon Ming
 Mr. Pravith Vaewhongs

Auditors

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

Registered Office

Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

Head Office and Principal Place of Business

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

Principal Bankers

DBS Bank (Hong Kong) Limited
 DBS Bank Limited, Shanghai Branch
 Bank of China (Hong Kong) Limited
 Shanghai Commercial Bank Limited

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Website

<http://www.namhingholdings.com>

Stock Code

986

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Nam Hing Holdings Limited (the “Company”) announces as follows the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008, together with the comparative figures for the corresponding previous period. These interim results have not been audited or reviewed by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		Six months ended 30 September 2008	2007
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
REVENUE	3	87,136	186,643
Cost of sales		(89,466)	(177,598)
Gross (loss)/profit		(2,330)	9,045
Other income and gains		14,230	9,463
Selling and distribution costs		(2,780)	(4,675)
Administrative expenses		(12,514)	(14,628)
Other expenses		(756)	(1,319)
Finance costs		(3,352)	(5,621)
LOSS BEFORE TAX	4	(7,502)	(7,735)
Tax	5	—	17
LOSS FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		(7,502)	(7,718)
INTERIM DIVIDEND	6	—	—
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		HK(1.8274) cents	HK(1.9207) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Notes	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		141,097	145,800
Investment properties		7,360	7,360
Prepaid land lease payments		15,689	15,431
Total non-current assets		164,146	168,591
CURRENT ASSETS			
Trade debtors	8	41,876	67,294
Other debtors, prepayments and deposits		3,751	6,028
Inventories		35,576	44,412
Investment property held for sale		2,603	14,640
Investments at fair value through profit or loss		320	3,645
Tax recoverable		809	184
Pledged fixed deposits		22,464	12,579
Cash and bank balances		970	2,537
Total current assets		108,369	151,319
CURRENT LIABILITIES			
Trade creditors	9	45,869	61,157
Bills payable		–	447
Other creditors and accruals		14,319	20,284
Bank and other borrowings		75,846	101,096
Tax payable		571	–
Total current liabilities		136,605	182,984
NET CURRENT LIABILITIES		(28,236)	(31,665)
TOTAL ASSETS LESS CURRENT LIABILITIES		135,910	136,926
NON-CURRENT LIABILITIES			
Bank and other borrowings		30,317	22,547
Net assets		105,593	114,379
EQUITY			
Issued capital		41,404	40,984
Reserves		64,189	73,395
Total equity		105,593	114,379

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Exchange equalisation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2007 (audited)	40,184	124,711	-	2,031	6,639	464	9,963	183,992
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	-	3,985	-	-	3,985
Total income and expense for the period recognised directly in equity	-	-	-	-	3,985	-	-	3,985
Loss for the period	-	-	-	-	-	-	(7,718)	(7,718)
Total income and expense for the period	-	-	-	-	3,985	-	(7,718)	(3,733)
Recognition of equity settled shared based payment	-	-	723	-	-	-	-	723
At 30 September 2007 (unaudited)	<u>40,184</u>	<u>124,711</u>	<u>723</u>	<u>2,031</u>	<u>10,624</u>	<u>464</u>	<u>2,245</u>	<u>180,982</u>
At 1 April 2008 (audited)	40,984	126,227	607	2,031	25,668	464	(81,602)	114,379
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	-	(2,208)	-	-	(2,208)
Total income and expense for the period recognised directly in equity	-	-	-	-	(2,208)	-	-	(2,208)
Loss for the period	-	-	-	-	-	-	(7,502)	(7,502)
Total income and expense for the period	-	-	-	-	(2,208)	-	(7,502)	(9,710)
Issue of shares	420	504	-	-	-	-	-	924
At 30 September 2008 (unaudited)	<u>41,404</u>	<u>126,731</u>	<u>607</u>	<u>2,031</u>	<u>23,460</u>	<u>464</u>	<u>(89,104)</u>	<u>105,593</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six Months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	6,516	54
Net cash inflow/(outflow) from investing activities	4,337	(2,982)
Net cash outflow from financing activities	(23,755)	(3,113)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(12,902)	(6,041)
Cash and cash equivalents at 1 April	(1,272)	(8,889)
Foreign exchange adjustments	2,031	(11)
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	(12,143)	(14,941)
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	970	3,743
Bank overdrafts, secured	(13,113)	(18,684)
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	(12,143)	(14,941)
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NOTES

1. Basis of presentation

The condensed consolidated interim financial statements for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. Accounting policies

The condensed consolidated interim financial statements have been prepared on the historical cost convention as modified for the revaluation of certain financial assets and liabilities at fair value. The accounting policies used in these condensed consolidated interim financial statements are consistent with those used in the Group’s annual audited financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, the following new interpretation (“new Interpretation”) issued by the HKICPA, which is effective from 1 July 2008.

HK (IFRIC) – INT 13 Customer Loyalty Programmes

HK (IFRIC) – INT13 requires that loyalty award credits granted to customers as part of a sale transaction are accounted for as a separate component of the sales transaction. The consideration received in the Sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair values and is deferred until the awards are redeemed or the liability is otherwise extinguished.

The adoption of this new Interpretation had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”), amendments or interpretations that have been issued but are not yet effective.

2. Accounting policies (continued)

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK (IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation

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

3. Segment information

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

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

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

3. Segment information (continued)

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

An analysis of the Group's revenues and results for the current period by business segment, together with the comparative amounts for the corresponding period of 2007, is as follows:

	Six months ended 30 September 2008				Consolidated HK\$'000 (Unaudited)
	Manufacture and sale of laminates HK\$'000 (Unaudited)	Manufacture and sale of PCBs HK\$'000 (Unaudited)	Manufacture and sale of copper foils HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	
Segment revenue:					
Sales to external customers	42,144	44,085	907	-	87,136
Intersegment sales	10,901	-	14,737	(25,638)	-
Other revenue	14,177	196	1,037	(1,180)	14,230
Total	<u>67,222</u>	<u>44,281</u>	<u>16,681</u>	<u>(26,818)</u>	<u>101,366</u>
Segment results	<u>(1,608)</u>	<u>259</u>	<u>(1,737)</u>		(3,086)
Interest income					130
Unallocated expenses					(1,194)
Finance costs					<u>(3,352)</u>
Loss before tax					(7,502)
Tax					<u>-</u>
Loss for the period					<u>(7,502)</u>

3. Segment information (continued)

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

4. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 September 2008 HK\$'000 (Unaudited)		2007 HK\$'000 (Unaudited)
Staff costs			
- Salaries and wages	14,323		17,648
- Share-based payment expenses	127		723
Depreciation and amortisation	7,867		9,527
Gain on disposal of investment property held for sale	(10,267)		(5,251)
Foreign exchange loss/(gain), net	1,695		(2,116)

5. Tax

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong:		
Charge for the period	–	–
Current – Mainland China:		
Charge for the period	–	–
Underprovision/(overprovision)		
in the prior period	–	(17)
	<hr/>	<hr/>
Tax charge for the year	–	(17)
	<hr/>	<hr/>

Hong Kong profits tax for the six months ended 30 September 2008 was provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong during the period. No provision for Hong Kong profits tax has been made for the six months ended 30 September 2008 and 30 September 2007 as the Group does not have assessable profits generated during the periods.

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

The corporate income tax (“CIT”) payable by a subsidiary operating in Thailand is charged at 30% (2007: 30%) on the income earned from non-promoted activities as defined by the Board of Investment in Thailand. No provision for CIT in Thailand has been made for the six months ended 30 September 2008 and 30 September 2007 as the subsidiary in Thailand has available tax losses brought forward from the prior years to offset the assessable profits generated during the periods.

6. Interim dividend

The Board did not propose to declare an interim dividend for the six months ended 30 September 2008 (2007: Nil).

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

(a) Basic loss per share

The calculation of the basic loss per share for the six months ended 30 September 2008 is based on the loss for the period attributable to ordinary equity holders of the parent of HK\$7,502,000 (2007: loss of HK\$7,718,000) and the weighted average of 410,524,000 (2007: 401,838,000) ordinary shares in issue during the period.

(b) Diluted loss per share

The calculation of the diluted loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No disclosure of diluted loss per share for the six months ended 30 September 2008 and 30 September 2007 are presented as the exercise of share options would decrease the loss per share.

8. Trade debtors

An aged analysis of the trade debtors at the balance sheet date, based on the invoice date and net of impairment, is as follows:

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Within 3 months	28,074	42,792
4 to 6 months	9,161	19,476
Over 6 months	4,641	5,026
	41,876	67,294

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

9. Trade creditors

An aged analysis of the trade creditors at the balance sheet date, based on the invoice date, is as follows:

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Within 3 months	16,385	27,748
4 to 6 months	13,891	17,647
Over 6 months	15,593	15,762
	45,869	61,157

These amounts are non-interest-bearing and are normally settled on terms varying from 30 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The consolidated turnover of the Group for the six months ended 30 September 2008 was HK\$87,136,000, representing a 53% decrease as compared with HK\$186,643,000 of the previous period. However, the loss of the Group decreased slightly from HK\$7,718,000 to HK\$7,502,000.

Operating loss arose mainly from the unfavourable operating environment for the whole Group, particularly the industrial laminate division. In addition, the global economic downturn arisen from the financial tsunami, the decrease in market demand and the increase in raw material costs adversely affected the Group's business operation.

The Group has disposed of a property in Fung Kat Heung with a gain on disposal of approximately HK\$10,000,000. The property was the main plant of the Group prior to the setting up of the production facilities in Mainland China in the 1990's and the property has been idle for a number of years.

Industrial Laminate Division

During the six months ended 30 September 2008, the industrial laminate division, the core business of the Group, achieved a turnover of HK\$42,144,000 (2007: HK\$128,567,000), which represented approximately 49% of the Group's turnover and a decrease of 67% as compared with the same period of the previous year. The business continued to sustain loss due to the unfavourable economic conditions arisen from the recent financial tsunami, together with the increase in raw material costs globally. Sales orders for the period decreased owing to the decrease in market demand.

On the other hand, the laminate division has been trying to dispose of the excess stock in hand in order to maintain a healthy inventory level and improve the Group's cashflow position. As at 30 September 2008, stock in hand held by the laminate division amounted to HK\$20,113,000 as compared with HK\$24,804,000 as at 31 March 2008, which represented approximately a 19% decrease.

The laminate division has introduced measures to deal with the unfavourable economic situation. Measures such as reduction in general administration cost, stringent control on collectability of trade debts of existing and potential customers and careful sourcing of raw materials have been implemented.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review and Prospects (continued)

Industrial Laminate Division (continued)

The laminate division is focusing more on the overseas market, the collectability of debt of which is considered to be more favourable.

The operation in Suzhou has also not been as promising as expected. The management team is seriously considering whether to reposition the role of the Suzhou factory.

Printed Circuit Board (PCB) Division

For the six months ended 30 September 2008, the PCB division recorded a turnover of HK\$44,085,000 (2007: HK\$56,424,000), which accounted for approximately 51% of the Group's turnover and represented a decrease of 22% as compared with the same period of the previous year. Although the PCB division is a stable operation with a favourable profit margin, the global economic downturn in 2008 has inevitably affected the market demand of the PCB division in general.

The Group considers the PCB business to be its main focus in the coming years. The Group will put emphasis on exploring more customers, in particular overseas, in order to maintain the business level in times of economic recession.

The plant in Zuhai has not yet commenced operations as the management considers this is still not the appropriate time to put it into production.

Copper Foil Division

For the six months ended 30 September 2008, the copper foil plant in Thailand recorded a loss of HK\$2,015,000 due to the sustained high prices of copper and other production materials. As copper price has been unsteadily fluctuating in recent months, the management has been very cautious in the procurement of copper to minimize the adverse effect of the price fluctuation.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review and Prospects (continued)

Conclusion

The continuing unfavourable operating environment, especially the adverse effect of the recent financial tsunami, places very great pressure on the operation of industrial businesses. The Group has experienced heavy margin squeezing in the past year in the laminate division. Weak operating results have also exerted considerable pressure on the Group's cashflow position. In the coming years, the management will be more conservative in the procurement of resources in order to reduce operating costs and improve cashflow positions and will dispose of some non-production facilities, properties and assets.

Liquidity and Financial Resources

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

As at 30 September 2008, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$23,434,000 (31 March 2008: HK\$15,116,000). Total interest-bearing bank loans and other borrowings decreased from HK\$123,643,000 as at 31 March 2008 to HK\$106,163,000 as at 30 September 2008. Finance costs incurred decreased from HK\$5,621,000 for the six months ended 30 September 2007 to HK\$3,352,000 for the six months ended 30 September 2008. The Group's gearing ratio, which is the net debt divided by the total shareholders' equity plus net debt, also decreased to 0.61 as compared to 0.64 as at 31 March 2008. Net debt included bank and other borrowings, trade bills and other payables and accruals, less cash and bank balances. Moreover, the Group has a current ratio of 0.79 (31 March 2008: 0.83) and net current liabilities of HK\$28,236,000 as at 30 September 2008 (31 March 2008: HK\$31,665,000).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity and Financial Resources (continued)

The overall financial position of the Group as at 30 September 2008 is slightly improved as compared with that as at 30 September 2007 although there is still operating loss incurred during the period. The management considers the current bank borrowing level and gearing ratio to be at a reasonable level but will put in immediate efforts to restore, through certain financing activities, the net current liability position arising from the mismatch of short-term and long-term borrowings in previous years. Furthermore, the management has already implemented plans to dispose of certain non-operating properties and assets to provide additional working capital for the Group's operation.

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

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Repayable within one year	75,846	101,096
Repayable in the second year	6,187	6,501
Repayable in the third to fifth years, inclusive	14,182	11,743
Repayable beyond five years	9,948	4,303
	106,163	123,643

The Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai Baht and RMB. Given the continuous fluctuation of the exchange rates of the Thai Baht and RMB, the Group expects to experience pressure on its operating costs. During the period, the Group has started carrying out hedging activity to reduce certain of its foreign currency exposure to RMB through execution of forward contract products offered by its existing bankers. The management will monitor from time to time the Group's exposure to fluctuations in foreign exchange rates and will consider other suitable hedging products that can help in reducing its foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Contingent Liabilities

As at 30 September 2008, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$137,014,000 (31 March 2008: HK\$130,278,000), of which HK\$67,469,000 (31 March 2008: HK\$93,144,000) have been utilized at the balance sheet date.

Pledge of Assets

As at 30 September 2008, the Group's assets pledged as security for banking facilities amounting to approximately HK\$73,021,000 (31 March 2008: HK\$87,661,000).

Employment, Training and Remuneration Policy

During the period under review, the Group continued to reduce the size of its workforce and strengthen staff quality through staff development and training programmes. The Group had 736 employees as at 30 September 2008 (31 March 2008: 915). Remunerations are commensurate with the nature of jobs, experience and market conditions. Eligible employees are offered discretionary bonuses and share options depending on the Group's performance and individual effort. The principle is reward for performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2008, the interests of the directors of the Company in the shares and underlying shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

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

Name of director	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Lau Kwai	Beneficial owner		1,500,000	0.36
	Founder of a discretionary trust	(a)	87,696,000	21.18
	Founder of a discretionary trust	(b)	42,078,400	10.16
	Founder of a discretionary trust	(c)	15,851,200	3.83
			<u>147,125,600</u>	<u>35.53</u>
Mr. Lau Chung Yim	Beneficial owner		35,310,000	8.53
	Beneficiary of a discretionary trust	(a)	87,696,000	21.18
	Beneficiary of a discretionary trust	(b)	42,078,400	10.16
			<u>165,084,400</u>	<u>39.87</u>
Mr. Lau Chung Hung	Beneficial owner		18,000,000	4.35
	Beneficiary of a discretionary trust	(a)	87,696,000	21.18
			<u>105,696,000</u>	<u>25.53</u>
Mr. Lau Hing Hai	Beneficial owner		4,000,000	0.97
	Beneficiary of a discretionary trust	(a)	87,696,000	21.18
	Beneficiary of a discretionary trust	(c)	15,851,200	3.83
			<u>107,547,200</u>	<u>25.98</u>
Ms. Lau May Wah	Beneficial owner		20,419,200	4.93
	Beneficiary of a discretionary trust	(a)	87,696,000	21.18
			<u>108,115,200</u>	<u>26.11</u>
Mr. Leung Hon Ming	Beneficial owner		150,000	0.03

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

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

Notes:

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

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

Name of director	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital
Ms. Lau May Wah	Beneficial owner	4,000,000	<u>0.97</u>

Details of the above share options granted by the Company as required to be disclosed pursuant to the Listing Rules are set out in the section headed "Share option scheme" below.

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

In addition to the above, as at 30 September 2008, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirement of a minimum number of two shareholders.

Save as disclosed above and in the section headed "Share option scheme" below, as at 30 September 2008, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; nor had there been any grant or exercise of rights of such interests during the six months ended 30 September 2008.

SHARE OPTION SCHEME

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

SHARE OPTION SCHEME (continued)

The following table discloses movements in the Company's share options during the period:

Name or category of participant	Number of share options					At 30 September 2008	Date of grant of share options	Exercise period of share options**	Exercise price of share options*** HK\$ per share
	At 1 April 2008	Granted during the period	Exercised during the period*	Lapsed during the period	Cancelled during the period				
Directors									
Mr. Lau Chung Hung	4,000,000	-	(4,000,000)	-	-	-	20 Sep 2007	23 Oct 2007 to 22 Oct 2009	0.22
Ms. Lau May Wah	4,000,000	-	-	-	-	4,000,000	20 Sep 2007	23 Oct 2007 to 22 Oct 2009	0.22
	<u>8,000,000</u>	<u>-</u>	<u>(4,000,000)</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>			
Other employees working under continuous employment contracts – In aggregate	1,200,000	-	(200,000)	-	-	1,000,000	20 Sep 2007	23 Aug 2008 to 22 Aug 2010	0.22
	<u>9,200,000</u>	<u>-</u>	<u>(4,200,000)</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>			

Notes to the table of movements in the Company's share options during the period:

- * The weighted average closing price of shares immediately before the dates on which the options were exercised was HK\$0.48.
- ** The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- *** The number and/or exercise price of the share options is/are subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2008, the following persons, not being a director or chief executive of the Company, had interests in the shares and underlying shares of the Company, as recorded in the register required to be kept under Section 336 of the SFO or as the directors are aware:

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

Name of substantial shareholder	Capacity	Notes	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Ms. Chan Ka Lam	Interest of spouse	(a)	107,547,200	25.98
Ms. Fong Shun Yum	Interest of spouse	(b)	147,125,600	35.53
Mr. Lo Tin Yuen	Interest of spouse	(c)	108,115,200	26.11
Ms. Tam Wai Ling Josephine	Interest of spouse	(d)	165,084,400	39.87
Ms. Wong Yuk Ching	Interest of spouse	(e)	105,696,000	25.53
Woohei Inc.	Trustee	(f)	87,696,000	21.18
Dragon Power Inc.	Trustee	(f)	42,078,400	10.16
MeesPierson Trust (Asia) Limited	Trustee	(f) & (g)	145,625,600	35.17
Sun Tak Sing	Beneficial owner		65,906,000	15.91

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

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

Notes:

- (a) Ms. Chan Ka Lam was deemed to be interested in 107,547,200 shares of the Company through the interest of her spouse, Mr. Lau Hing Hai.
- (b) Ms. Fong Shun Yum was deemed to be interested in 147,125,600 shares of the Company through the interest of her spouse, Mr. Lau Kwai.
- (c) Mr. Lo Tin Yuen was deemed to be interested in 108,115,200 shares of the Company through the interest of his spouse, Ms. Lau May Wah.
- (d) Ms. Tam Wai Ling Josephine was deemed to be interested in 165,084,400 shares of the Company through the interest of her spouse, Mr. Lau Chung Yim.
- (e) Ms. Wong Yuk Ching was deemed to be interested in 105,696,000 shares of the Company through the interest of her spouse, Mr. Lau Chung Hung.
- (f) These interests have also been disclosed as the interests of Mr. Lau Kwai/Mr. Lau Chung Yim/Mr. Lau Chung Hung/Mr. Lau Hing Hai/Ms. Lau May Wah in the section headed "Directors' interests and short positions in shares and underlying shares" above.
- (g) MeesPierson Trust (Asia) Limited was the trustee of The Lau Kwai Trust, The Jopat Trust and The Hingka Trust and was therefore deemed to be interested in the 87,696,000 shares indirectly owned by The Lau Kwai Trust, 42,078,400 shares indirectly owned by The Jopat Trust and 15,851,200 shares indirectly owned by The Hingka Trust.

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

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

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital
Mr. Lo Tin Yuen	Interest of spouse	4,000,000	0.97

Note: Mr. Lo Tin Yuen was deemed to be interested in 4,000,000 share options of the Company owned by his spouse, Ms. Lau May Wah, pursuant to Part XV of the SFO.

Save as disclosed herein, as at 30 September 2008, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2008.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

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

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or an employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the six months ended 30 September 2008.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, being the three independent non-executive directors of the Company. The Audit Committee has reviewed the Company's unaudited consolidated interim financial statements for the six months ended 30 September 2008 and discussed auditing, financial and internal control, and financial reporting matters of the Company.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2008.

DISCLOSURES PURSUANT TO RULES 44(3) AND 44(4) OF APPENDIX 16 TO THE LISTING RULES

Mr. Chang Tso Tung, Stephen (“Mr. Chang”) has resigned as an independent non-executive director, the chairman of the Audit Committee and a member of the Remuneration Committee of the Company with effect from 31 August 2008. Immediately following the said resignation of Mr. Chang, the Company did not comply with (a) Rule 3.10(1) of the Listing Rules, which prescribes that a listed issuer must have at least three independent non-executive directors; (b) Rule 3.10(2) of the Listing Rules, which prescribes that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; and (c) Rule 3.21 of the Listing Rules, which prescribes that a listed issuer’s audit committee must comprise a minimum of three members who should all be non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Subsequently, Mr. Yau Kwan Shan has been appointed as an independent non-executive director as well as the chairman of the Audit Committee of the Company with effect from 30 November 2008. Upon such appointment, Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules have been duly complied with by the Company.

ON BEHALF OF THE BOARD

Lau Kwai

Chairman

Hong Kong

18 December 2008