



Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)



INTERIM REPORT 2010

The board of directors (the "Board") of Deson Development International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2010, together with the comparative figures for the six months ended 30 September 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

	Notes	2010 HK\$'000	2009 HK\$'000 (Restated)
REVENUE	3	154,845	251,971
Cost of sales		(126,201)	(197,437)
Gross profit		28,644	54,534
Other income and gains	3	314,672	7,172
Administrative expenses		(44,791)	(29,224)
Other operating incomes, net		3,037	2,469
Finance costs	5	(4,809)	(4,208)
Share of profits and losses of:			
A jointly-controlled entity		38	(13)
Associates		77	(172)
PROFIT BEFORE TAX	4	296,868	30,558
Income tax expense	6	(34,586)	(16,886)
PROFIT FOR THE PERIOD		<u>262,282</u>	<u>13,672</u>
Attributable to:			
Owners of the Company		156,096	12,783
Minority interests		106,186	889
		<u>262,282</u>	<u>13,672</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
– For profit for the period		<u>27.72 cents</u>	<u>2.25 cents</u>
Diluted			
– For profit for the period		<u>27.72 cents</u>	<u>2.25 cents</u>

Details of the interim dividend proposed for the six months ended 30 September 2010 are disclosed in note 7 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
PROFIT FOR THE PERIOD	<u>262,282</u>	<u>13,672</u>
OTHER COMPREHENSIVE INCOME		
Share of other comprehensive income of associates	79	633
Release of capital reserve upon disposal of an associate	–	(119)
Release of exchange fluctuation reserve upon disposal of an associate	–	(484)
Release of exchange fluctuation reserve upon disposal of subsidiaries	4,000	–
Exchange differences on translating foreign operations	<u>(594)</u>	<u>2,256</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>3,485</u>	<u>2,286</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>265,767</u>	<u>15,958</u>
Attributable to:		
Owners of the Company	158,270	14,886
Minority interests	<u>107,497</u>	<u>1,072</u>
	<u>265,767</u>	<u>15,958</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2010

	Notes	30 September 2010 HK\$'000	31 March 2010 HK\$'000 (Restated)	1 April 2009 HK\$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		98,033	100,212	81,232
Investment properties	9	214,020	210,330	181,704
Interest in a jointly-controlled entity		(29)	–	–
Interests in associates		16,705	3,772	(2,408)
Financial assets at fair value through profit or loss		2,320	2,280	2,260
Total non-current assets		331,049	316,594	262,788
CURRENT ASSETS				
Amounts due from associates		27,214	27,108	26,650
Amounts due from minority shareholders		99,013	–	–
Properties held for sale	10	597,073	486,262	520,064
Gross amount due from contract customers		53,676	2,641	5,247
Inventories		1,747	1,526	1,497
Accounts receivable	11	45,771	71,294	59,472
Prepayments, deposits and other receivables		112,918	29,410	30,151
Cash and cash equivalents		177,111	73,608	53,807
Pledged deposits		31,337	31,324	31,331
		1,145,860	723,173	728,219
Assets of disposal groups/non-current asset classified as held for sale		–	172,703	9,295
Total current assets		1,145,860	895,876	737,514
CURRENT LIABILITIES				
Gross amount due to contract customers		103,294	42,677	38,626
Accounts payable	12	14,587	20,948	44,269
Other payables and accruals		214,412	157,515	171,116
Amounts due to associates		62	54	262
Amounts due to minority shareholders		3,802	24,465	19,529
Amounts due to related companies		9,605	18,444	27,166
Tax payable		97,164	63,514	45,914
Convertible notes		–	–	15,721
Interest-bearing bank and other borrowings		57,678	133,949	97,563
		500,604	461,566	460,166
Liabilities directly associated with the assets of disposal groups classified as held for sale		–	120,567	–
Total current liabilities		500,604	582,133	460,166
NET CURRENT ASSETS		645,256	313,743	277,348

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 September 2010

	Notes	30 September 2010 HK\$'000	31 March 2010 HK\$'000 (Restated)	1 April 2009 HK\$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		976,305	630,337	540,136
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		162,378	64,499	32,205
Deferred tax liabilities		28,463	28,592	21,071
Total non-current liabilities		190,841	93,091	53,276
Net assets		785,464	537,246	486,860
EQUITY				
Equity attributable to owners of the Company				
Issued capital	13	55,571	56,697	56,697
Reserves		603,568	464,301	425,297
Equity component of convertible notes		–	–	1,259
Proposed dividends	7	16,602	11,315	–
		675,741	532,313	483,253
Minority interests		109,723	4,933	3,607
Total equity		785,464	537,246	486,860

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2010

	Attributable to owners of the Company													Minority interests	Total equity	
	Issued capital	Share premium	Contributed surplus	Property revaluation reserve	Capital redemption reserve	Capital fluctuation reserve	Exchange revaluation reserve	Investment reserve	Share option reserve	Equity of convertible notes	Reserve funds	Retained profits	Proposed dividend			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 2009, as previously reported	56,697	121,790	15,262	36,531	(9,121)	10,013	28,323	1,056	-	1,259	3,260	208,977	-	474,047	3,607	477,654
Effect of changes in accounting policy (note 1)	-	-	-	9,206	-	-	-	-	-	-	-	-	-	9,206	-	9,206
At 1 April 2009, restated	56,697	121,790	15,262	45,737	(9,121)	10,013	28,323	1,056	-	1,259	3,260	208,977	-	483,253	3,607	486,860
Total comprehensive income for the period	-	-	-	-	(119)	-	1,589	121	-	-	-	13,295	-	14,886	1,072	15,958
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Release of revaluation reserve	-	-	-	(630)	-	-	-	-	-	-	-	118	-	(512)	-	(512)
Release upon redemption of convertible notes	-	-	-	-	-	-	-	-	-	(1,259)	-	1,259	-	-	-	-
At 30 September 2009	56,697	121,790	15,262	45,107*	(9,240)*	10,013*	29,912*	1,177*	-	-	3,260*	223,649*	-	497,627	4,673	502,300
At 1 April 2010, as previously reported	56,697	121,790	15,262	41,695	(9,240)	10,013	29,872	1,270	-	-	3,260	226,895	11,315	508,829	4,933	513,762
Effect of changes in accounting policy (note 1)	-	-	-	23,538	-	-	-	-	-	-	-	(54)	-	23,484	-	23,484
At 1 April 2010, restated	56,697	121,790	15,262	65,233	(9,240)	10,013	29,872	1,270	-	-	3,260	226,841	11,315	532,313	4,933	537,246
Total comprehensive income for the period	-	-	-	-	-	-	2,095	79	-	-	-	156,096	-	158,270	107,497	265,767
Release of revaluation reserve	-	-	-	(921)	-	-	-	921	-	-	-	-	-	-	-	-
Final 2010 dividend declared	-	-	-	-	-	-	-	-	-	-	-	(11,315)	(11,315)	-	(11,315)	
Repurchase of shares	(1,126)	(5,124)	-	-	-	1,126	-	-	-	-	(1,126)	-	(6,250)	-	(6,250)	
Share repurchase expenses	-	(33)	-	-	-	-	-	-	-	-	-	-	(33)	-	(33)	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,707)	(2,707)	
Equity-settled share option arrangements	-	-	-	-	-	-	-	2,756	-	-	-	-	-	2,756	-	2,756
Proposed Interim 2011 dividend (note 7)	-	-	-	-	-	-	-	-	-	-	(16,602)	16,602	-	-	-	
At 30 September 2010	55,571	116,633*	15,262*	64,312*	(9,240)*	11,139*	31,967*	1,349*	2,756*	-	3,260*	366,130*	16,602	625,741	109,723	735,464

* These reserve accounts comprise the condensed consolidated reserves of HK\$603,568,000 (31 March 2010: HK\$464,301,000) in the consolidated statement of financial position.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange thereof, pursuant to the Group reorganisation on 21 May 1997.

The capital reserve of the Group as at 1 April 2010 and 30 September 2010 comprised goodwill arising from the acquisition of subsidiaries prior to 1 April 2002.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's subsidiaries in Mainland China under the laws and regulations of the People's Republic of China. The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	2010 HK\$'000	2009 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES	(163,815)	(23,399)
CASH FLOWS FROM INVESTING ACTIVITIES	319,803	(18,031)
CASH FLOWS FROM FINANCING ACTIVITIES	(15,212)	5,821
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	140,776	(35,609)
Cash and cash equivalents at beginning of period	34,839	30,239
Effect of foreign exchange rate changes, net	1,496	444
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>177,111</u>	<u>(4,926)</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	177,111	41,375
Bank overdrafts, secured	–	(46,301)
Cash and cash equivalents as stated in the condense statement of cash flows	<u>177,111</u>	<u>(4,926)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for leasehold buildings, investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These unaudited condensed financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2010.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2010, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRS”) (which also include HKASs and Interpretations) for the first time in the current period.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards-Additional Exemptions for First-time Adopters</i> ²
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment-Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation-Classification of Rights Issues</i> ³
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement-Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 <i>included in Improvements to HKFRSs issued in October 2008</i>	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations-Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HK Interpretation 4 (Revised in December 2009)	<i>Leases-Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²

1 BASIS OF PREPARATION (CONTINUED)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

- ¹ Effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2010
- ³ Effective for annual periods beginning on or after 1 February 2010
- ⁴ Effective for annual periods beginning on or after 1 July 2010

HKAS 17 – Leases

The adoption of amendment to HKAS 17 “Leases” has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, leasehold land was classified as an operating lease and stated at cost less accumulated amortisation. In accordance with the amendment, leasehold land is classified as a finance lease and stated at cost less accumulated depreciation of substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (i.e. the transaction price) of the land held by the Group amounted to substantially all of the fair value of the land as if it was freehold, the leasehold land of the Group has been classified as a finance lease. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases. The amendment does not apply to the leasehold land disposed of by the Group in prior years.

Effect of changes on accounting policies on condensed consolidated income statement

	Effect of adopting HKAS 17	
	30 September 2010 HK\$'000	30 September 2009 HK\$'000
Increase in depreciation	433	214
Decrease in recognition of prepaid land lease payments	(69)	(69)
Total decrease in profit	<u>364</u>	<u>145</u>

1 BASIS OF PREPARATION (CONTINUED)

Effect of changes on accounting policies on condensed statement of financial position

	Effect of adopting HKAS 17		
	At	At	At
	30 September 2010 HK\$'000	31 March 2010 HK\$'000	1 April 2009 HK\$'000
Increase/(decrease) in assets (current and non-current)			
Property, plant and equipment	33,466	33,900	16,882
Prepaid land lease payments	(5,510)	(5,579)	(5,718)
Prepayments, deposits and other receivables	(139)	(139)	(139)
Increase/(decrease) in liabilities/equity			
Deferred tax liabilities	4,697	4,698	1,819
Property revaluation reserve	23,242	23,538	9,206
Retained profits	(122)	(54)	–

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the construction business segment is engaged in construction contract works as a main contractor as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services;
- (b) the property development and investment business segment is engaged in property development of residential and commercial properties and holding of investment properties; and
- (c) the "others" segment comprises, principally, trading of medical equipment and provision of related installation and maintenance services.

2. OPERATING SEGMENT INFORMATION (CONTINUED)

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, gain on disposal of associates, gain on disposal of subsidiaries, finance costs, excess over the cost of business combinations, share of profits and losses of a jointly-controlled entity and associates as well as head office and corporate expenses are excluded from such measurement.

	For the six months ended 30 September							
	Construction business		Property development and investment business		Others		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Segment revenue:								
Sales to external customers	119,827	121,575	31,976	125,934	3,042	4,462	154,845	251,971
Other income and gains	1,441	991	6,839	1,750	-	-	8,280	2,741
Total	121,268	122,566	38,815	127,684	3,042	4,462	163,125	254,712
Segment results	(9,358)	(6,119)	7,459	38,972	(798)	(96)	(2,697)	32,757
Reconciliation:								
Interest income							283	2,249
Gain on disposal of an associate							-	2,109
Gain on disposal of partial interest in subsidiaries							-	42
Gain on disposal of subsidiaries							306,109	31
Unallocated expenses							(2,133)	(2,237)
Finance costs							(4,809)	(4,208)
Share of profits and losses of:								
A jointly-controlled entity							38	(13)
Associates							77	(172)
Profit before tax							296,868	30,558
Income tax expense							(34,586)	(16,886)
Profit for the period							262,282	13,672

2. OPERATING SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 September							
	Construction business		Property development and investment business		Others		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Loss on disposal of items of property, plant and equipment	-	-	-	2	9	10	9	12
Impairment of accounts receivable	-	-	-	2,482	-	-	-	2,482
Reversal of impairment of accounts receivable	-	-	(3,108)	(1,909)	-	-	(3,108)	(1,909)
Reversal of impairment of other receivables	-	(798)	-	-	-	-	-	(798)
Reversal of provision for inventories	-	-	-	-	(71)	-	(71)	-
Depreciation	1,430	1,057	868	1,039	40	40	2,338	2,136
	<u>1,430</u>	<u>1,057</u>	<u>868</u>	<u>1,039</u>	<u>40</u>	<u>40</u>	<u>2,338</u>	<u>2,136</u>

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue from construction contracts, income from property development and investment business, trading of medical equipment, provision of related installation and maintenance services.

An analysis of revenue, other income and gains is as follows:

	Note	2010 HK\$'000	2009 HK\$'000
Revenue			
Income from construction contracting and related business		119,827	121,575
Income from property development and investment business		31,976	125,934
Income from trading of medical equipment, provision of related installation and maintenance services		3,042	4,462
		<u>154,845</u>	<u>251,971</u>
Other income and gains			
Bank interest income		151	134
Other interest income		132	2,115
Gain on disposal of an associate		-	2,109
Gain on disposal of partial interest in subsidiaries		-	42
Gain on disposal of subsidiaries	14	306,109	31
Gross rental income		6,005	1,595
Others		2,275	1,146
		<u>314,672</u>	<u>7,172</u>

4. PROFIT BEFORE TAX

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

	2010	2009
	HK\$'000	HK\$'000
		(Restated)
Cost of properties sold	13,085	80,967
Cost of construction contracting	111,033	113,579
Cost of inventories sold and services provided	2,083	2,891
Depreciation	2,338	2,136
Minimum lease payments under operating leases on land and buildings	997	1,417
Loss on disposal of items of property, plant and equipment [^]	9	12
Employee benefits expense (including directors' emoluments):		
Wages and salaries	20,952	15,871
Equity-settled share option expense	2,756	–
Pension schemes contributions *	421	398
Less: Amount capitalised	(1,356)	(1,927)
	22,773	14,342
Directors remuneration:		
Fee	156	156
Salaries and allowances	1,656	1,673
Equity-settled share option expense	539	–
Pension scheme contributions	29	29
	2,380	1,858
Foreign exchange differences, net [^]	62	(2,256)
Impairment of accounts receivable [^]	–	2,482
Reversal of impairment of accounts receivable [^]	(3,108)	(1,909)
Reversal of impairment of other receivables [^]	–	(798)

* At 30 September 2010, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2009: Nil).

[^] These amounts are included in "Other operating income, net" on the face of the condensed consolidated income statement.

5. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	10,868	6,717
Interest on convertible notes	–	67
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	10,868	6,784
Less: Interest capitalised	(6,059)	(2,576)
	<hr/>	<hr/>
	<u>4,809</u>	<u>4,208</u>

6. INCOME TAX

No Hong Kong profits tax has been provided as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during the period or have available tax losses brought forward from prior years to offset the assessable profits generated during the period (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Land appreciation tax ("LAT") in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current-Elsewhere		
Charge for the period	32,678	4,814
Underprovision/(overprovision) in prior periods	7	(32)
Deferred	(218)	124
LAT in Mainland China	2,119	11,980
	<hr/>	<hr/>
Total tax charge for the period	<u>34,586</u>	<u>16,886</u>

7. INTERIM DIVIDEND

	2010 HK\$'000	2009 HK\$'000
Proposed interim – HK3 cents (2009: Nil) per ordinary share	<u><u>16,602</u></u>	<u><u>–</u></u>

The Board of Directors has resolved to declare an interim dividend of HK3 cents in respect of the six months ended 30 September 2010 (2009: Nil) per ordinary share in issue payable on or around 30 December 2010 to shareholders whose names appear on the register of members of the Company on Wednesday, 22 December 2010.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 563,034,356 (2009: 566,973,017) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company. 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 earnings 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.

The calculations of basic and diluted earnings per share are based on:

	2010 HK\$'000	2009 HK\$'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u><u>156,096</u></u>	<u><u>12,783</u></u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (CONTINUED)

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	563,034,356	566,973,017
Effect of dilution-weighted average number of ordinary shares:		
Share options	—	—
	<u>563,034,356*</u>	<u>566,973,017</u>

* Because the diluted earnings per share amount is increased when taking the share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts were based on the profit for the period of HK\$156,096,000 and the weighted average number of ordinary shares of 563,034,356 in issue during the period.

9. INVESTMENT PROPERTIES

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Carrying amount at 1 April	210,330	181,704
Additions	—	15,134
Net profit from fair value adjustment	—	9,167
Transfer from property, plant and equipment	—	2,717
Exchange realignment	3,690	1,608
	<u>214,020</u>	<u>210,330</u>
Carrying amount at 30 September/31 March	<u>214,020</u>	<u>210,330</u>

9. INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Long term lease	156,600	153,900
Medium term lease	57,420	56,430
	<u>214,020</u>	<u>210,330</u>

The Group's investment properties were revalued on 31 March 2010 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK\$210,330,000 on an open market, existing use basis.

As at 30 September 2010, the investment properties of the Group with aggregate carrying amounts of HK\$214,020,000 (31 March 2010: HK\$210,330,000) were pledged to secure certain banking facilities granted to the Group.

10. PROPERTIES HELD FOR SALE

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Completed properties	203,281	214,894
Properties under development	393,792	271,368
	<u>597,073</u>	<u>486,262</u>

As at 30 September 2010, certain completed properties held for sale of the Group with aggregate carrying amounts of HK\$34,404,000 (31 March 2010: HK\$38,528,000) were pledged to secure certain banking facilities granted to the Group.

In addition, as at 31 March 2010, certain completed properties held for sale of the Group with aggregate carrying amounts of HK\$33,071,000 were pledged through the equity interest in a subsidiary to secure other loans amounting to HK\$15,000,000 granted to the Group.

11. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction works carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Current to 90 days	23,693	31,053
91 to 180 days	3,505	13,889
181 to 360 days	8,239	10,153
Over 360 days	5,514	9,886
	40,951	64,981
Retention monies receivable	4,820	6,313
Total	<u>45,771</u>	<u>71,294</u>

12. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Current to 90 days	5,414	12,469
91 to 180 days	1,409	4
181 to 360 days	1,237	597
Over 360 days	6,527	7,878
	14,587	20,948
	<u>14,587</u>	<u>20,948</u>

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

13. SHARE CAPITAL

Shares

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Authorised:		
1,500,000,000 (31 March 2010: 1,500,000,000) ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
555,708,017 (31 March 2010: 566,973,017) ordinary shares of HK\$0.10 each	<u>55,571</u>	<u>56,697</u>

A summary of the transactions during the current period with reference to the movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2010	566,973,017	56,697	121,790	178,487
Repurchase of shares (Note)	<u>(11,265,000)</u>	<u>(1,126)</u>	<u>(5,124)</u>	<u>(6,250)</u>
	555,708,017	55,571	116,666	172,237
Share repurchase expenses	<u>-</u>	<u>-</u>	<u>(33)</u>	<u>(33)</u>
At 30 September 2010	<u>555,708,017</u>	<u>55,571</u>	<u>116,633</u>	<u>172,204</u>

Note:

During the period, the Company repurchased a total of 11,265,000 of its own shares on the Stock Exchange at prices ranging from HK\$0.52 to HK\$0.60 per share, for a total consideration, before expenses, of HK\$6,250,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$1,126,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$5,124,000 paid for the repurchased shares and the share repurchase expenses of HK\$33,000 were charged against the share premium account.

13. SHARE CAPITAL (CONTINUED)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in the section headed "Share Option Scheme".

14. DISPOSAL OF SUBSIDIARIES

	30 September 2010 <i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	128,207
Properties held for sales	43,541
Accounts receivable	23
Prepayment, deposits and other receivables	83,982
Cash and cash equivalents	16,092
Accounts payable	(303)
Other payables and accruals	(52,846)
Interest-bearing bank and other borrowings	(169,600)
Exchange fluctuation reserve	(4,000)
Minority interests	(2,707)
	<hr/>
	42,389
Legal and professional fee incurred	42,459
Gain on disposal of subsidiaries	306,109
	<hr/>
	390,957
	<hr/> <hr/>
Satisfied by:	
Cash	390,957
	<hr/> <hr/>

14. DISPOSAL OF SUBSIDIARIES (CONTINUED)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	30 September 2010 HK\$'000
Cash consideration	390,957
Cash and bank balances disposed of	<u>(16,092)</u>
	374,865
Less: Legal and professional fee incurred	<u>(42,459)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>332,406</u>

15. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years.

At 30 September 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Within one year	400	722
In the second to fifth years, inclusive	2,118	1,927
After five years	<u>2,441</u>	<u>2,669</u>
	<u>4,959</u>	<u>5,318</u>

16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Notes	2010 HK\$'000	2009 HK\$'000
Management fees received from associates	(i)	539	522
Management fees received from a related company	(i)	120	120
Interest income from a jointly-controlled entity	(ii)	132	216
Rental income from a related company	(iii)	1,308	1,299
		<u>1,308</u>	<u>1,299</u>

Notes:

- (i) The management fees were charged by reference to actual costs incurred for the services provided by the Group.
- (ii) The interest income from a jointly-controlled entity was charged at the Hong Kong dollar prime rate plus 1% per annum on an amount due from it of HK\$7,178,000.
- (iii) The rental income was charged to Fitness Concept Limited ("FCL") and one of FCL's subsidiaries at HK\$45,000 (2009: HK\$45,000) and HK\$172,500 (2009: HK\$171,000) per month respectively. Mr. Tjia Boen Sien is a director of and has beneficial interest in the Company and FCL while Mr. Keung Kwok Cheung is the director of the Company and FCL.
- (b) Outstanding balances with related parties:

Details of the Group's balances with its jointly-controlled entity, associates, minority shareholders and related companies as at the reporting date are included in the financial statements;

- (c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 4 to the financial statements.

17. COMPARATIVE AMOUNTS

Due to the adoption of the new and revised HKFRSs during the current period, certain comparative amounts have been adjusted to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2010 was HK\$155 million which represented a decrease of 39% as compared with the same period last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$156 million representing an increase of 1,121% as compared with the same period last year. Earning per share is approximately HK27.72 cents.

The Group's major business segment during the period comprises (i) construction, as a main contractor, as well as the provision of contracting intelligent building engineering, and electrical and mechanical ("E&M") services; (ii) property development and investment; and (iii) trading of medical equipment, provision of related installation and maintenance services.

During the six months ended 30 September 2010, the Group completed projects such as fitting out works for Prada shop at Tsimshatsui, Hong Kong, electrical, mechanical ventilation air conditioning, fire services for Asia Society Hong Kong Center at Admiralty, Hong Kong, new annex building and swimming pool in Tsung Tsin Christian Academy at Cheung Sha Wan, Hong Kong, and building services installation for the extension to Jockey Club Elaine Field School in Tai Po, Hong Kong. In current period, turnover generated from the property development and investment business decreased by 75% as compared to the same period last year, this is mainly due to the property development project, Phase II of Century Place, Kaifeng, PRC have not yet completed as at the end of the reporting period, and we were only selling remaining units of Phase I of Century Place, Kaifeng, PRC and Asian Villas City Square, Haikou, PRC, whereas in last period Phase I of Century Place, Kaifeng and Phase IV of Asian Villas City Square, Haikou were just completed for a short period of time and many units were available for sales.

On 7 April 2010, Interpath Profits Limited ("Interpath Profits"), an indirect non wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "Lead Joy Agreement") with Bond Light Limited ("Bond Light"), an independent third party, in relation to the disposal to Bond Light of the entire issued share capital of Lead Joy Investments Limited ("Lead Joy", a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company) and the rights to a shareholder's loan due to Interpath Profits from Lead Joy. The total consideration of the Lead Joy disposal is RMB99.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

On 7 April 2010, Interpath Profits also entered into a sale and purchase agreement (the “Measure Up Agreement”) with Big Meg Limited (“Big Meg”), an independent third party, in relation to the disposal to Big Meg of the entire issued share capital of Measure Up Profits Limited (“Measure Up”, a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company) and the assumption by Big Meg of the liabilities under the indebtedness due to Measure Up from Interpath Profits. The total consideration of the Measure Up disposal is RMB242 million.

The Lead Joy disposal constitutes a major transaction, and the Measure Up disposal constitutes a very substantial disposal, for the Company under the Listing Rules. The Lead Joy Agreement, the Measure Up Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders by way of poll at the special general meeting (“SGM”). The Lead Joy Agreement and the Measure Up Agreement were approved by the Shareholders at the SGM held on 12 August 2010, and the gain on disposal of subsidiaries generated from these two agreements amounted to HK\$306 million.

In September 2007, Asian Villas City Square was awarded one of the “Top 100 Best Property in China for year 2007 (third anniversary)”. In May 2008, the Company was awarded one of the “Top 500 Most Influential Property Development Enterprise in China” for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會. In December 2009, the Company was awarded one of the “Chinese businessman top 500 in 2009” by 華商中國市場500強評選活動組委會.

FINANCIAL REVIEW

Turnover

During the six months ended 30 September 2010, the Group’s turnover amounted to HK\$155 million, decreased by 39% as compared to the same period last year. The decrease was mainly due to this is mainly due to the property development project, Phase II of Century Place, Kaifeng, PRC have not yet completed as at the end of the reporting period, and we were only selling remaining units of Phase I of Century Place, Kaifeng, PRC and Asian Villas City Square, Haikou, PRC, whereas in last period Phase I of Century Place, Kaifeng and Phase IV of Asian Villas City Square, Haikou were just completed for a short period of time and many units were available for sales. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$120 million, HK\$32 million, HK\$3 million respectively, which represent decrease by 1%, 75% and 32% respectively as compared to the same period last year.

FINANCIAL REVIEW (CONTINUED)

Gross profit margin

During the six months ended 30 September 2010, the Group's gross profit margin was approximately 18%, down by 4% as compared to last period's 22%, this is mainly driven from the decrease in the percentage of turnover from the property development and investment segment over the total turnover, from last period's 50% to this period's 21%, where the gross profit margin of this segment generally have a much higher gross profit margin than the other main segment-construction contracting segment, as a result, the overall gross profit margin is lower than last period.

Liquidity and financial resources

As at 30 September 2010, the Group had total assets of HK\$1,476,909,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$691,445,000, HK\$675,741,000 and HK\$109,723,000, respectively. The Group's current ratio at 30 September 2010 was 2.29 compared to 1.54 at 31 March 2010.

The gearing ratio for the Group is 20% (2010: 15%). It was calculated based on the non-current liabilities of HK\$190,841,000 (2010: HK\$93,091,000) and long term capital (equity and non-current liabilities) of HK\$976,305,000 (2010: HK\$630,337,000). The increment was mainly a result of the long term construction loans obtained from bank for the property development business during the period.

Capital expenditure

Total capital expenditure for the six months ended 30 September 2010 was approximately HK\$154,000, which are mainly used in the purchase of office equipments and motor vehicles.

Contingent liabilities

At the end of the reporting date, there were no significant contingent liabilities for the Group.

Commitments

At the end of the reporting date, there were no significant capital commitments for the Group.

FINANCIAL REVIEW (CONTINUED)

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold buildings and land situated in Hong Kong of HK\$75,608,000 (31 March 2010: HK\$76,800,000);
- (ii) the pledge of the Group's investment properties situated in Mainland China of HK\$214,020,000 (31 March 2010: HK\$210,330,000);
- (iii) the pledge of one of the Group's financial assets at fair value through profit or loss of HK\$1,160,000 (31 March 2010: HK\$1,140,000);
- (iv) the pledge of certain of the Group's completed properties held for sale situated in Mainland China of HK\$34,403,000 (31 March 2010: HK\$38,528,000); and
- (v) the pledge of the Group's deposits of HK\$31,337,000 (31 March 2010: HK\$31,324,000).

In addition, as at 31 March 2010, an other loan was secured by the Group's equity interest in a subsidiary which held completed properties held for sale of HK\$33,071,000.

Treasury policies

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development project in Kaifeng, PRC, the Group will take consideration on the Renminbi fund planning to adequately finance this project. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and Renminbi, hence, there is no significant exposure to foreign exchange rate fluctuations.

FINANCIAL REVIEW (CONTINUED)

Exchange risk exposure

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since some of the Group's business are based in the PRC, the continuing appreciation of RMB inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

PROSPECT

Construction business (including E&M works)

The Group will uphold an on-going parallel development of its construction business (including E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, in April 2006, the Group had been promoted from "List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR" to "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR". Together with the license in Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" and the 11 licenses held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction business development (including E&M works).

During the period, new projects such as addition and alteration works for house 1 & 2 of Belleview Place, Repulse Bay Road, Hong Kong, mechanical ventilation air conditioning services nominated sub-contract works for the Proposed Student Hall VIII & IX development at Clear Water Bay for the Hong Kong University of Science & Technology, Hong Kong, proposed warehouse development at Yuen Long, Hong Kong, biennial term contract for the maintenance and repair of, alternations and additions to, fire services installations for health services buildings in Kowloon, Hong Kong, installation of ammonium and nitrate online monitoring system for aeration tank, Shatin, Hong Kong, provision of modification, maintenance, calibration and engineering works for electronic sensor and outstation electronics equipment at various sewage treatment works & gauging stations for DSD, Hong Kong, fitting out works for Prada shop at Chengdu, PRC and fitting out works for Miu Miu shop at Shanghai, PRC were granted. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$966 million.

PROSPECT (CONTINUED)

Property development and investment

Asian Villas City Square, Haikou, Hainan Province is developed into a residential and commercial complex with a total gross floor area of approximately 117,000 sq. metres. Construction was completed in prior year. Up to the date of this report, the total sales contract sum achieved amounted to approximately RMB348 million. The Group has also lease out certain completed commercial properties for sale before sales is made, so that the Group can generate temporary extra rental income before the sales.

On 9 June 2005, the Group has been granted the land use rights of a development site in Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 202,000 sq. metres. Up to now, gross floor area of 30,000 sq. metres had completed construction and the total sales contract sum achieved amounted to approximately RMB118 million. The remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2012.

Mainland China surpassed Japan as the world's second-largest economy according to the economic output data in the second quarter of 2010 and its gross domestic product recorded a growth of 9.6% in the third quarter. Nevertheless, inflation rate reached 4.4% in October against September's 3.6%, the fastest upsurge in two years and well above the government's target rate of 3%. In order to curb the rising inflation and soaring property prices, the People's Bank of China raised the benchmark lending rate by 0.25% last month for the first time in almost three years. In addition, the newly raise of reserve requirement ratio by 0.5% twice within ten days to 18.5% for major banks and coupled with the recent promulgation by the Central Government of tougher measures such as tightening of property lending and proposal to levy property taxes shortly throughout the country, resulted in drop in property transactions across major cities. However, property prices stubbornly remained at the present level albeit with reduced transactions.

PROSPECT (CONTINUED)

Property development and investment (Continued)

Barring introduction of further austerity measures by the Central Government, property prices are not expected to decrease substantively. In anticipation of progressive appreciation of Renminbi as well as enormous domestic demand, the Board remains optimistic to the property market in Mainland China and the Group will continue to place emphasis on strengthening the property development and investment business, and may acquire additional land bank to richen its land reserve, specifically in the second and third tier cities in PRC which the market trend and growth potential is consistently increasing, however, the Group has no specific investment plan in relation to any particular project currently.

Trading of medical equipment

With rising affluence especially in Hong Kong and the major cities in PRC, the consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipments, and our effort in trading of medical equipment should continue to pay off in terms of sales growth and market penetration in PRC. In the coming year, we will expand our distribution channels and introducing a broader range of products to spur sales growth.

The Group remains optimistic of the medium to longer term prospects of the property sector in the PRC and continues to be committed to those projects that are being undertaken by the Group. On the other hand, the Group will continue to adopt efficacious cost management strategies and maintain tight credit control to cope with challenges and enhance competitiveness under the fluctuated operating environment.

HUMAN RESOURCES

As at 30 September 2010, the Group has 129 employees, 14 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the period under review amounted to HK\$23 million as compared to HK\$14 million in the same period last year.

HUMAN RESOURCES (CONTINUED)

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Company offers discretionary bonus and share options to staff based on the individual performance and the achievements of the Company's targets.

CONTINUING CONNECTED TRANSACTIONS

On 19 March 2008, the Group has entered into two tenancy agreements with 上海美格菲健身中心有限公司 and Fitness Concept Limited, companies owned as to 99.4% and 100% respectively by Mr. Tjia, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of two properties of the Group at Sichuan, PRC and Hong Kong. The two tenancy agreements are contracted for three years commencing 1 April 2008, and the monthly rent payable are RMB150,000 and HK\$45,500 respectively. The rental income earned during the six months ended 30 September 2010 from the above tenancy agreements were HK\$1,308,000.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 46.75% equity interest in the Company at that time, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules. The transaction therefore constitutes a connected transaction of the Company. As each of the applicable percentage ratios of the transaction was more than 2.5% but less than 25% and the total consideration involved was less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the transaction was exempted from the independent shareholders' approval requirement and was only subject to the reporting and disclosure requirements of the Listing Rules. The transaction also constituted a discloseable transaction for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that this continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SHARE OPTION SCHEME

On 14 August 2002, the share option scheme of the Company adopted on 21 May 1997 ceased to operate and a new share option scheme (the “Scheme”) was adopted on the same day to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, including independent non-executive directors, the Company’s shareholders and other employees of the Group. The Scheme became effective on 14 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Group at the adoption date of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the period:

Name or category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	At grant date of options*** HK\$ per share
	At 1 April 2010	Granted during the period	At 30 September 2010				
Directors							
Tjia Boen Sien	–	500,000	500,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57
Wang Jing Ning	–	2,000,000	2,000,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57
Keung Kwok Cheung	–	2,000,000	2,000,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57
Ho Chung Tai, Raymond	–	500,000	500,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57
Siu Man Po	–	500,000	500,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57
Wong Shing Kay, Oliver	–	500,000	500,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57
	–	6,000,000	6,000,000				
Other employees, in aggregate	–	24,700,000	24,700,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57
Total	–	30,700,000	30,700,000				

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

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

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

SHARE OPTION SCHEME (CONTINUED)

No share option was granted during the last period. The fair value of the share options granted during the period was HK\$2,756,000 (approximately HK\$0.09 each).

The fair value of equity-settled share options granted during that period was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the six months ended 30 September 2010:

	30 September 2010
Dividend yield (%)	0.00
Expected volatility (%)	49.00
Historical volatility (%)	49.00
Risk-free interest rate (%)	0.75
Expected life of option (year)	1.00
Weighted average share price (HK\$)	0.54

The expected life of the options was based on the historical data over the past three years and was not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 30,700,000 share options outstanding under the Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 30,700,000 additional ordinary shares of the Company, representing approximately 5.5% of the Company's shares in issue as at the end of the reporting period, and additional share capital of HK\$3,070,000 and share premium of HK\$14,429,000 (before issue expenses).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, the interests and short positions of the Directors in the share capital and share option of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise 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 SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	44,459,400	226,250,000	270,709,400	48.71
Mr. Wang Jing Ning	12,839,600	–	12,839,600	2.31
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Siu Man Po	180,000	–	180,000	0.03

* Sparta Assets Limited ("Sparta Assets"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.

The interests of the Directors in the share options of the Company are separately disclosed in the section headed "Share Option Scheme".

Save as disclosed above and in the section headed "Share Option Scheme", none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in the section headed "Share Option Scheme", at no time during the six months ended 30 September 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2010, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Sparta Assets (<i>Note 1</i>)	Beneficial Owner	226,250,000	40.71
Mr. Tjia Boen Sien	Interests of controlled corporation	226,250,000	40.71
	Directly beneficially own	44,459,400	8.00
Penta Investment Advisers Limited ("Penta")	Investment manager	100,990,000	18.17
Penta Master Fund, Ltd. ("Penta Master") (<i>Note 2</i>)	Beneficial Owner	50,367,000	9.06

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Note:

1. Sparta Assets, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.
2. These duplicated parts of the interests of Penta held through its controlled management account, Penta Master.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, at 30 September 2010, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

INTERIM DIVIDEND

The Board is pleased to recommend the payment of an interim dividend of HK3 cents (2009: Nil) per ordinary share in issue for the six months ended 30 September 2010 to be payable on or around Thursday, 30 December 2010 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 22 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 16 December 2010 to Wednesday, 22 December 2010 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 15 December 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 September 2010, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

	Number of Shares repurchased	Price per share		Total price paid HK\$'000
		Highest HK\$'	Lowest HK\$'	
April 2010	1,245,000	0.60	0.59	746
July 2010	5,645,000	0.56	0.52	3,062
August 2010	500,000	0.53	0.52	261
September 2010	3,875,000	0.59	0.52	2,181
	<u>11,265,000</u>			<u>6,250</u>

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$1,126,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$5,124,000 paid on the repurchases shares and share repurchase expenses of HK\$33,000 were charged against the share premium account.

The purchase of the Company's shares during the period was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2010, the Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2010, save for the deviation from the Code Provision A4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of deviation of the CG Code:

Code Provision A4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

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.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2010.

The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS (CONTINUED)

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management system, financial reporting matters including the review of the interim results for the six months ended 30 September 2010, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprise of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

REMUNERATION COMMITTEE

The Company has a remuneration committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing the remuneration policy and fixing the remuneration packages for all Directors and chief executives. The remuneration committee currently comprises two executive Directors, namely Mr. Tjia Boen Sien, Mr. Wang Jing Ning, and three independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Tjia Boen Sien is the Chairman of the committee.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Keung Kwok Cheung, and the independent non-executive Directors are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.

By Order of the Board

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong, 30 November 2010.