



有利集團有限公司

Yau Lee Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 406)



INTERIM REPORT
2007-2008

The Board of Directors (the "Directors") of Yau Lee Holdings Limited (the "Company") is pleased to announce that the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2007:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	<i>Note</i>	2007 HK\$'000	2006 <i>HK\$'000</i>
Revenue	2	810,804	909,004
Cost of sales		(830,115)	(849,823)
Gross (loss)/profit		(19,311)	59,181
Other income and gains		9,804	5,128
Administrative expenses		(75,972)	(63,609)
Other operating expenses		(1,568)	(452)
Fair value gain on investment properties		47,000	11,000
Operating (loss)/profit	3	(40,047)	11,248
Finance costs		(28,754)	(20,331)
Share of profit of jointly controlled entities		709	-
Loss before income tax		(68,092)	(9,083)
Income tax expense	4	(7,571)	(350)
Loss for the period		(75,663)	(9,433)
Attributable to:			
Equity holders of the Company		(75,663)	(9,448)
Minority interests		-	15
		(75,663)	(9,433)
Interim dividend	5	-	-
Loss per share	6	(17.16 cents)	(2.14 cents)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2007

	Note	30 September 2007 HK\$'000	31 March 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	311,889	294,800
Investment properties	7	360,000	340,000
Leasehold land	7	351,397	352,038
Associates		39	39
Jointly controlled entities		28,303	12,595
Deferred income tax assets		34	34
Other non-current assets		51,457	35,364
		<u>1,103,119</u>	<u>1,034,870</u>
Current assets			
Cash and bank balances		46,470	43,342
Restricted deposits		159,341	169,669
Trade debtors, net	8	252,303	252,901
Inventories		24,295	16,282
Prepayments, deposits and other receivables		99,483	109,428
Prepaid income tax		960	871
Due from customers on construction contracts		526,096	406,991
Financial assets at fair value through profit or loss		5,298	5,167
Due from associates		13,539	13,855
Due from jointly controlled entities		4,488	14,408
Due from related parties		30	30
		<u>1,132,303</u>	<u>1,032,944</u>
Total assets		<u>2,235,422</u>	<u>2,067,814</u>
EQUITY			
Share capital	9	88,190	88,190
Other reserves		419,159	419,199
Retained profits		278,535	358,608
Equity holders		785,884	865,997
Minority interests		628	628
Total equity		<u>786,512</u>	<u>866,625</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 SEPTEMBER 2007

	Note	30 September 2007 HK\$'000	31 March 2007 HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings		396,705	477,441
Deferred income tax liabilities		73,326	66,653
		470,031	544,094
Current liabilities			
Bank overdrafts-secured		72,225	70,405
Short-term bank loans-secured		355,948	292,622
Current portion of long-term borrowings-secured		93,563	52,075
Derivative financial instruments		5,502	-
Payable to suppliers and subcontractors	10	214,340	124,481
Accruals, retention payables and other liabilities		155,628	105,146
Income tax payable		3,295	2,396
Due to customers on construction contracts		78,378	9,970
		978,879	657,095
Total liabilities		1,448,910	1,201,189
Total equity and liabilities		2,235,422	2,067,814
Net current assets		153,424	375,849
Total assets less current liabilities		1,256,543	1,410,719

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Attributable to equity holders of the Group							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Currency translation reserve HK\$'000	Retained Profits HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	
As at 1 April 2007	88,190	415,430	359	3,410	358,608	865,997	628	866,625
Loss for the period	-	-	-	-	(75,663)	(75,663)	-	(75,663)
Currency translation differences	-	-	-	(40)	-	(40)	-	(40)
Dividend	-	-	-	-	(4,410)	(4,410)	-	(4,410)
As at 30 September 2007	<u>88,190</u>	<u>415,430</u>	<u>359</u>	<u>3,370</u>	<u>278,535</u>	<u>785,884</u>	<u>628</u>	<u>786,512</u>
As at 1 April 2006	88,190	415,430	359	726	308,818	813,523	809	814,332
Loss for the period	-	-	-	-	(9,448)	(9,448)	15	(9,433)
As at 30 September 2006	<u>88,190</u>	<u>415,430</u>	<u>359</u>	<u>726</u>	<u>299,370</u>	<u>804,075</u>	<u>824</u>	<u>804,899</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net cash flows from/(used in) operating activities	1,309	(184,479)
Net cash flows used in investing activities	(7,303)	(2,535)
Net cash flows from financing activities	7,302	5,386
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	1,308	(181,628)
Cash and cash equivalents, beginning of period	(27,063)	88,634
	<hr/>	<hr/>
Cash and cash equivalents, end of period	(25,755)	(92,994)
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and bank balances	46,470	30,368
Bank overdrafts-secured	(72,225)	(123,362)
	<hr/>	<hr/>
	(25,755)	(92,994)
	<hr/>	<hr/>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

The interim financial information has not been audited by the auditors of the Group but has been reviewed by the Group's Audit Committee.

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This unaudited condensed consolidated financial information should be read in conjunction with the 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2007. The HKICPA has issued certain new standards, interpretations and amendments to existing standards (collectively "New Standards") which are effective for accounting periods commencing on or after 1 January 2007. The Group has assessed the impact of these New Standards and concluded that the adoption of these New Standards in the current period did not have any material impact on this interim financial information.

2. Revenue and segment information

	2007 HK\$'000	2006 HK\$'000
Turnover		
Construction	739,191	850,384
Building materials trading	18,457	12,168
Property leasing	6,330	5,798
Hotel operation	43,056	36,998
Others	3,770	3,656
	810,804	909,004

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

2. Revenue and segment information *(continued)*

Primary reporting format — business segments

The Group is principally engaged in contracting of building construction, plumbing, maintenance and fitting-out projects, building materials trading, property leasing and the operation of a hotel in Hong Kong. The Group is organised into four main business segments:

- Construction — Contracting of building construction, plumbing, maintenance and fitting-out projects in Hong Kong
- Building materials trading — Trading of construction and building materials
- Property leasing — Property leasing in Hong Kong
- Hotel operation — Operating a hotel in Hong Kong

Other operations of the Group mainly comprise of computer software development and provision of website hosting services, which is not of a sufficient size to be reported separately.

The segment information for the six months ended 30 September 2006 has been restated to conform the primary reporting format used in the current interim period. The Directors are of the opinion that the current primary reporting format is more appropriate.

Secondary reporting format — geographical segments

The Group's operation is primarily conducted in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Therefore, no geographical segment information is presented.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
(CONTINUED)

2. Revenue and segment information *(continued)*

Primary reporting format — business segments

	For the six months ended 30 September 2007						
	Construction	Building materials trading	Property leasing	Hotel operation	Others	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
External sales	739,191	18,457	6,330	43,056	3,770	-	810,804
Inter-segment sales	1,667	45,192	-	-	4,964	(51,823)	-
Total sales	740,858	63,649	6,330	43,056	8,734	(51,823)	810,804
Segment results	(107,476)	(2,196)	46,095	21,201	(2,395)	(2,516)	(47,287)
Unallocated income							7,240
Operating loss							(40,047)
Finance costs	(14,256)	(2,017)	(11,923)	-	(558)		(28,754)
Share of profit of jointly controlled entities	465	244	-	-	-		709
Loss before income tax							(68,092)
Income tax expense							(7,571)
Loss for the period							(75,663)
Segment assets	1,087,702	124,576	901,724	9,005	56,283		2,179,290
Interests in associates	-	-	-	-	13,539		13,539
Interest in jointly controlled entities	15,465	12,838	-	-	-		28,303
Unallocated assets							14,290
Total assets							2,235,422
Segment liabilities	(887,204)	(35,061)	(439,863)	(5,697)	(4,064)		(1,371,889)
Unallocated liabilities							(77,021)
Total liabilities							(1,448,910)
Capital expenditure	4,872	213	869	-	97		6,051
Depreciation	5,361	3,677	6,190	153	392		15,773
Amortisation of leasehold land	87	-	180	-	374		641
Fair value gain on investment properties	-	-	(47,000)	-	-		(47,000)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
(CONTINUED)

2. Revenue and segment information *(continued)*

Primary reporting format — business segments *(continued)*

	For the six months ended 30 September 2006 (restated)						Total HK\$'000
	Construction HK\$'000	Building materials trading HK\$'000	Property leasing HK\$'000	Hotel operation HK\$'000	Others HK\$'000	Elimination HK\$'000	
External sales	850,384	12,168	5,798	36,998	3,656	-	909,004
Inter-segment sales	392	50,544	-	-	1,346	(52,282)	-
Total sales	850,776	62,712	5,798	36,998	5,002	(52,282)	909,004
Segment results	(14,025)	(173)	9,297	16,571	(4,580)	(433)	6,657
Unallocated income							4,591
Operating profit							11,248
Finance costs	(8,622)	(19)	(11,690)	-	-		(20,331)
Loss before income tax							(9,083)
Income tax expense							(350)
Loss for the period							(9,433)
Segment assets	975,850	107,957	638,507	207,262	55,652		1,985,228
Interests in associates	-	-	-	-	9,771		9,771
Unallocated assets							13,314
Total assets							2,008,313
Segment liabilities	(678,002)	(20,679)	(439,916)	(6,835)	(3,708)		(1,149,140)
Unallocated liabilities							(54,274)
Total liabilities							(1,203,414)
Capital expenditure	3,493	3,655	3,072	451	94		10,765
Depreciation	2,581	1,892	5,829	82	455		10,839
Amortisation of leasehold land	87	-	180	-	374		641
Fair value gain on investment properties	-	-	(11,000)	-	-		(11,000)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
(CONTINUED)

3. Operating (loss)/profit

Operating (loss)/profit is arrived at after charging/(crediting) the following:

	Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Depreciation		
Owned property, plant and equipment	15,171	10,444
Leased property, plant and equipment	602	395
Loss/(gain) on disposal of property, plant and equipment	19	(4)
Amortisation of leasehold land	641	641
	641	641

4. Income tax expense

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of income tax charged to the unaudited condensed consolidated income statement represents:

	Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax	7,406	149
Overseas tax	165	201
	7,571	350

5. Dividend

	Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Interim dividend of Nil (2006: Nil) per share	-	-

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
(CONTINUED)

6. Loss per share

Loss per share has been calculated based on the Group's unaudited loss attributable to equity holders of the Company of HK\$75,663,000 (2006: HK\$9,448,000) and 440,949,600 shares (2006: 440,949,600 shares) in issue during the period.

Diluted earnings per share for the periods ended 30 September 2007 and 2006 are not presented as there are no potential dilutive shares outstanding during the periods.

7. Capital expenditure

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>
Net book amount as at 1 April 2007	294,800	340,000	352,038
Additions	6,051	-	-
Disposals	(189)	-	-
Transfer from investment properties to property, plant and equipment	27,000	(27,000)	-
Fair value gain	-	47,000	-
Depreciation/amortisation charge <i>(Note 3)</i>	(15,773)	-	(641)
Net book amount as at 30 September 2007	<u>311,889</u>	<u>360,000</u>	<u>351,397</u>
Net book amount as at 1 April 2006	303,543	299,000	353,321
Exchange difference	1,947	-	-
Additions	19,550	-	-
Disposals	(358)	-	-
Fair value gain	-	41,000	-
Depreciation/amortisation charge	(29,882)	-	(1,283)
Net book amount as at 31 March 2007	<u>294,800</u>	<u>340,000</u>	<u>352,038</u>

As at 30 September 2007 the net book value of property, plant and equipment, investment properties and leasehold land pledged as security for the bank loan of the Group amounted to approximately HK\$938,000,000.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
(CONTINUED)

8. Trade debtors, net

Trade debts are due after 21 days to one year depending on the nature of services or products.

The aging analysis of trade debtors is as follows:

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Not yet due	238,450	189,497
Overdue by:		
1 – 30 days	2,402	39,898
31 – 90 days	2,831	7,448
91 – 180 days	114	783
Over 180 days	8,506	15,275
	<u>252,303</u>	<u>252,901</u>

9. Share capital

There were no movements in the share capital of the Company in the reporting period.

10. Payable to suppliers and subcontractors

The aging analysis of payable to suppliers and subcontractors is as follows:

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Not yet due	208,844	114,127
Overdue by:		
1 – 30 days	4,582	8,711
31 – 90 days	37	907
91 – 180 days	200	190
Over 180 days	677	546
	<u>214,340</u>	<u>124,481</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)

11. Contingent liabilities

- (a) In the normal course of its business, the Group is subject to various claims under its construction contracts. At 30 September 2007, the Group had various liquidated damages claims on certain contracts for which the Group has filed extension of time claims with the customers. The amount of the ultimate liquidated damages, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.
- (b) In 2006, the Group received a statement of claims for an aggregate amount of approximately HK\$4.2 million for alleged breach of contract and uncertified workdone in connection with a design work contract. Financial expenses arising from the claims have been assessed by the Directors with reference to legal advice. Based on this advice, the Directors do not consider that any significant adverse financial impact will crystallise in respect of the claims and accordingly, no provision was made as at 30 September 2007.
- (c) In 2007, the Group received a statement of claims for an aggregate amount of approximately HK\$23.9 million for uncertified workdone in connection with contract works from a subcontractor. The Group will defend vigorously against the claim and a counter claim of approximately HK\$25 million has been submitted. Based on legal advice, the Directors are of the opinion that the Group has valid defences against the claim and no provision was made as at 30 September 2007.
- (d) In 2006, the Group has initiated an arbitration process with one of its customers for settlement of outstanding claims made by the Group relating to one of its completed construction contracts. The arbitrator declared in the second direction hearing that the Group is not entitled to substantial costs and damages claimed. The Group lodged a notice of appeal to the Courts of Hong Kong for the case. Based on an external consultant's evaluation, the Group stands a reasonable chance of being able to obtain leave to appeal on the claims, so no provision was made as at 30 September 2007.

12. Event after the balance sheet date

The Group has accepted an offer on 21 November 2007 to purchase the property located at 33 Sharp Street East, Causeway Bay, Hong Kong (the "Property") at a total cash consideration of HK\$1,580,000,000. The disposal of the Property (the "Disposal") constitutes a Very Substantial Disposal under Chapter 14 of the Listing Rules and requires the approval of the shareholders of the Company in the forthcoming Special General Meeting to be convened for such purpose. The completion date for the Disposal is scheduled on 29 February 2008. The Group expected to recognise the gain on the Disposal of approximately HK\$670,000,000 in the full year accounts of the Group.

INTERIM DIVIDEND

The Board of Directors of the Company (“the Directors”) does not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results and operation

The turnover for the six months ended 30 September 2007 has decreased by 10.8% to HK\$810,804,000 when compared with the turnover of HK\$909,004,000 for the same period last year. The Group recorded a gross loss of HK\$19,311,000 for the period (30 September 2006: gross profit of HK\$59,181,000). The operating loss for the period is HK\$40,047,000 (30 September 2006: operating profit of HK\$11,248,000) as a result of provision made for the uncertainty of the recoverability for certain cost incurred for the acceleration of progress and variation works for projects undertook during the period. The Group suffered a loss for the period HK\$75,663,000 (30 September 2006: HK\$9,433,000). The loss is a combined result of the above mentioned reason, high interest costs, the appreciation of Renminbi and the increase in price level of materials, subcontractors and labours. Subsequent to 30 September 2007, the Group accepted an offer to purchase 33 Sharp Street East. Since this is a Very Substantial Disposal, the conclusion of the sale is subject to shareholders approval in the forthcoming Special General Meeting. The sales proceed for the disposal of hotel and investment properties is HK\$1,580,000,000 and will result in a net gain of approximately HK\$670,000,000 to be realised in the full year accounts of the Group.

The investment properties of the Group has been performing well, all units for lease were fully let as of 30 September 2007 and generated a rental income of approximately HK\$6,330,000 during the six months ended 30 September 2007. The six months operation of hotel generated a turnover of approximately HK\$43,056,000, represents a growth 16.4% compared to the same period last year.

As at the date of this report the total contract sum of the Group’s construction contracts in hand excluding joint venture contract is approximately HK\$4,141,000,000. Five contracts with total contract sum of approximately HK\$2,180,000,000 were secured during the period including two design and build contracts, one construction contract and two renovation and maintenance contracts with respective contract sum of approximately HK\$1,468,000,000, HK\$551,000,000 and HK\$161,000,000. A joint venture contract of design and construction of the Prince of Wales Hospital – Extension Block at Shatin was awarded during the period with contract value HK\$1,654,000,000. Two contracts with total contract sum of HK\$1,383,000,000 were completed during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Value of Contracts in hand	HK\$ Million
As at 31 March 2007	3,344
Secured during the period from 1 April 2007 to 30 September 2007	2,180
Completed during the period from 1 April 2007 to 30 September 2007	<u>(1,383)</u>
As at 30 September 2007	<u>4,141</u>

Financial Position

At 30 September 2007, the Group's total cash in hand was HK\$206 million (31 March 2007: HK\$213 million) while total bank borrowings increased from HK\$890 million in 31 March 2007 to HK\$915 million. The increase in bank borrowings was due to the additional working capital requirement for construction contracts in hand. If the HK\$437 million (31 March 2007: HK\$427 million) long-term loan secured by the Group's hotel and investment properties is excluded, the Group has a net debt of HK\$272 million (31 March 2007: HK\$250 million) representing a net debt to equity ratio of 34.6% (31 March 2007: 28.8%). The current ratio (total current assets: total current liabilities) has decreased from 1.6 to 1.2 as compared to 31 March 2007. Due to the decreased equity as a result of the loss suffered during the period, the Group has breached certain of the loan covenants imposed by banks in respect of certain bank loans outstanding as at 30 September 2007. In accordance with the relevant loan agreements, the banks have the right to withdraw the facilities. However, waiver applications will be submitted to the banks for waivers of the above breaches. Based on the long-term relationship and good track record with the banks, the management is confident that waivers can be obtained and there will not be any adverse effect to the Group's liquidity. Subject to the approval of the shareholders of the Company in the forthcoming Special General Meeting, the disposal of hotel and investment properties will be significantly improved the Group's liquidity and the above breaches will be ratified with a comfortable margin.

The short-term and long-term bank borrowings are secured by the Group's investment properties, investments in unit trust and certain time deposits.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Human Resources

As at 30 September 2007, the Group employed approximately 1,000 employees in Hong Kong and Macau and approximately 800 employees in Mainland China.

Employees in Hong Kong and Macau are either paid on a monthly salary basis or daily wages basis. Salaried employees are entitled to benefits according to seniority and position such as discretionary bonus which are based on their performance, double pay, defined contribution provident funds, annual leave, employer sponsored trainings and others.

Employees in Mainland China are remunerated according to the prevailing market conditions in the location of their employment.

Outlook

The period under review is a difficult period for the Group. However, signs of recovery emerged in the third quarter of the year. This is evidenced by the increased value of contract in hand of the Group. Measures have been taken to enhance the Group's operation, budgetary and internal control systems to prevent further cost overruns.

To remain competitive in tendering for public contracts, the Group has been integrating vertically, the expanded scope should result in better control over costs, quality and design hence strengthen tender competitiveness. The Group is considering expanding to overseas market such as Singapore and the Middle East to capture the opportunities in these upcoming construction markets.

With the significant cash in hand after the sale proceed from the sale of 33 Sharp Street East is received, the Group will actively look for investment opportunities in the region with an aim to improve return for shareholders.

DIRECTORS' INTERESTS

At 30 September 2007, the interests of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Shares of HK\$0.2 each in the Company

Director	Number of shares held	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	234,033,599	53.07%

DIRECTORS' INTERESTS *(CONTINUED)*

The shares referred to above are registered in the names of All Fine Investment Company Limited and Billion Goal Holdings Limited with respective registered holding of 230,679,599 shares and 3,354,000 shares. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Investment Company Limited and Billion Goal Holdings Limited. All Fine Investment Company Limited and Billion Goal Holdings Limited are incorporated in the Cook Islands and the British Virgin Islands respectively. Mr. Wong Ip Kuen is a director of both All Fine Investment Company Limited and Billion Goal Holdings Limited.

During the period ended 30 September 2007, none of the Directors and chief executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

At no time during the period was the Company, its subsidiaries, its associates or its jointly controlled entities a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

At 30 September 2007, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's unaudited interim results.

CORPORATE GOVERNANCE

During the six months ended 30 September 2007, the Company has complied with all the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for code provision A.2.1 and A.4.2 of the Code which stated below.

Code Provision A.2.1 requires the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. To make and to facilitate the implementation of decisions promptly and efficiently, the Company has not separated the roles of the Chairman and the Chief Executive which are performed by the same individual, Mr. Wong Ip Kuen.

Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years, but in accordance with the Bye-laws which stipulates that one-third of the directors of the Company, except director holding office as Chairman, should be subject to retirement by rotation at each annual general meeting.

Code Provision A.4.2 also requires all directors appointed to fill in a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with the Bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. The Board of the Company considers that the impact of deviation is immaterial and casual vacancy does not happen frequently.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions of the Directors of the Company. Having made specific enquiry of all Directors of the Company, they have confirmed that they complied with the required standard set out in the Model Code during the accounting period covered by this interim report.

By order of the Board
Wong Ip Kuen
Chairman

Hong Kong, 19 December 2007