



VANTAGE INTERNATIONAL (HOLDINGS) LIMITED

盈信控股有限公司

(incorporated in Bermuda with limited liability)
(Stock code: 15)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The directors (the "Directors") of Vantage International (Holdings) Limited (the "Company") are pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006 together with comparative figures for the corresponding period in the previous year. The results have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 September 2006

Notes	Six months ended	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000 (Restated)
TURNOVER		
Contract costs	623,884	614,107
Property expenses	(572,670)	(574,904)
	(691)	(862)
Gross profit	50,523	38,341
Other income and gains	2,474	3,987
Gain on changes in fair value of investment properties	–	25,427
Administrative expenses	(14,592)	(13,125)
Other expenses	(938)	–
Finance costs	(13,541)	(8,727)
Share of loss of a jointly-controlled entity	–	(11)
Profit before tax	23,926	45,892
Tax	(4,784)	(8,164)
Profit for the period	19,142	37,728
Attributable to:		
Equity holders of the Company	19,142	37,728
Dividend	–	–
Earnings per share attributable to equity holders of the Company		
Basic	HK2.0 cents	HK4.0 cents
Diluted	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2006

Notes	30 September 2006 (unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	21,067	20,504
Properties held for development	115,500	115,500
Investment properties	504,590	518,790
Deposits for purchase of properties	2,020	670
	643,177	655,464
CURRENT ASSETS		
Gross amount due from customers for contract work	129,055	35,055
Properties under development	62,550	61,730
Accounts receivable	165,184	138,235
Deposits, prepayment and other receivables	48,320	50,342
Tax recoverable	–	768
Pledged deposits	8,327	8,180
Cash and cash equivalents	94,616	77,010
	508,052	371,320
Non-current asset classified as held for sale	16,199	–
	524,251	371,320
CURRENT LIABILITIES		
Gross amount due to customers for contract work	32,732	51,392
Accounts payable	216,674	194,055
Rental deposits received	3,760	3,483
Other payable and accruals	9,019	6,353
Tax payable	3,595	1,387
Derivative financial instruments	534	752
Interest-bearing bank and other borrowings	206,970	112,835
	473,284	370,257
Interest-bearing bank borrowings directly associated with non-current asset classified as held for sale	12,702	–
	485,986	370,257
Net current assets	38,265	1,063
Total assets less current liabilities	681,442	656,527
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	377,474	371,676
Finance lease payable	4	29
Deferred tax liabilities	13,570	13,570
	391,048	385,275
Net assets	290,394	271,252
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	23,519	23,519
Reserves	266,875	247,733
	290,394	271,252

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Six months ended 30 September 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

These condensed consolidated financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 March 2006.

These condensed consolidated financial statements have not been audited or reviewed by the Company's external auditors, but have been reviewed by the Company's Audit Committee.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those set out in the Group's audited consolidated financial statements for the year ended 31 March 2006.

2. RESTATEMENT OF 2005/06 INTERIM CONSOLIDATED INCOME STATEMENT

Properties held for development

The Group has leased out certain properties intended for redevelopment at some later stage on a short-term basis. These properties are stated as properties held for development in the Group's consolidated balance sheet. When preparing the unaudited interim financial statements of the Group for the six months ended 30 September 2005, rental income, property expenses and finance costs associated with these properties were capitalised in the cost of properties held for development. During the process of the audit of the Group's consolidated financial statements for the year ended 31 March 2006, it was determined that these rental income, property expenses and finance costs should be recognised or charged to profit or loss. To conform to the policies adopted for the audited consolidated financial statements for the year ended 31 March 2006, the consolidated income statement for the six months ended 30 September 2005 was restated as follows:

	As previously reported HK\$'000	Restatement HK\$'000	As restated HK\$'000
Turnover	612,523	1,584	614,107
Contract costs	(574,904)	–	(574,904)
Property expenses	(740)	(122)	(862)
Other revenue and gains	3,987	–	3,987
Administrative expenses	(13,125)	–	(13,125)
Gain on revaluation of investment properties	25,427	–	25,427
Finance costs	(7,283)	(1,444)	(8,727)
Share of loss of a jointly-controlled entity	(11)	–	(11)
Tax	(8,164)	–	(8,164)
Profit for the period	37,710	18	37,728
Earnings per share – Basic	HK4.0 cents	–	HK4.0 cents

3. SEGMENT INFORMATION

Analysis of the Group's segment revenue and segment results by business segments, which is the Group's primary basis of segment reporting, is as follows:

Notes	Building construction		Civil engineering works		Renovation, repairs and maintenance		Property investment		Property development		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September		30 September		30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Segment revenue	223,416	335,112	39,255	37,079	352,439	237,164	7,084	3,168	1,690	1,584	623,884	614,107
External customers	–	–	–	–	–	–	–	–	–	–	–	–
Segment results	11,183	21,679	3,362	2,445	27,896	10,326	6,220	27,447	1,556	1,333	50,217	63,230
Unallocated income and gains	–	–	–	–	–	–	–	–	–	–	2,474	3,987
Unallocated expenses	–	–	–	–	–	–	–	–	–	–	(15,224)	(12,587)
Finance costs	–	–	–	–	–	–	–	–	–	–	(13,541)	(8,727)
Share of loss of a jointly-controlled entity	–	–	–	–	–	–	–	–	–	–	–	(11)
Profit before tax	–	–	–	–	–	–	–	–	–	–	23,926	45,892
Tax	–	–	–	–	–	–	–	–	–	–	(4,784)	(8,164)
Profit for the period	–	–	–	–	–	–	–	–	–	–	19,142	37,728

During both current and prior periods, the Group primarily carried out all of its operations in Hong Kong. Accordingly, no geographical segment information is presented.

4. TURNOVER, OTHER INCOME AND GAINS

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000 (Restated)
Turnover		
Contract revenue	615,110	609,355
Property gross rental income	8,774	4,752
	623,884	614,107
Other income and gains		
Interest income	1,988	1,158
Gain on disposal of fixed assets	5	1
Exchange gain, net	–	897
Gain on changes in fair values of derivative financial instruments	219	737
Sundry income	262	1,194
	2,474	3,987

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Depreciation of property, plant and equipment	1,712	720
Exchange loss/(gains), net	938	(897)
Gain on disposal of fixed assets	(5)	(1)

6. TAX

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Current – Hong Kong:		
Charge for the period	4,784	3,928
Deferred	–	4,236
	<u>4,784</u>	<u>8,164</u>

Hong Kong profits tax has been provided at the rate of 17.5% on the estimate assessable profits arising in Hong Kong for both periods.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's unaudited net profit attributable to shareholders for the period of approximately HK\$19,142,000 (2005 as restated: HK\$37,728,000) and on the actual weighted average number of 940,758,000 shares (2005: 940,758,000 shares) of the Company in issue during the period.

No diluted earnings per share is presented as the Company's outstanding share options did not have a dilutive effect for both periods presented.

8. ACCOUNTS RECEIVABLE

Accounts receivable consist of receivables from contract works and rentals under operating leases. The payment terms of contract works were stipulated in the relevant contracts. Rentals are normally payable in advance.

The following is the ageing analysis of accounts receivable at the balance sheet date:

	30 September 2006 (unaudited) HK\$'000		31 March 2006 (audited) HK\$'000	
Current – 3 months	151,340	132,421		
4 – 6 months	817	323		
Over 6 months	13,027	5,491		
	<u>165,184</u>	<u>138,235</u>		

As of 30 September 2006, retentions receivable from customers for contract work included in accounts receivable amounted to approximately HK\$54,545,000 (31 March 2006: HK\$45,762,000).

As of 30 September 2006, accounts receivable of approximately HK\$74 million (31 March 2006: HK\$90 million) was assigned to banks to secure the banking facilities granted to the Group.

9. ACCOUNTS PAYABLE

The following is the ageing analysis of accounts payable at the balance sheet date:

	30 September 2006 (unaudited) HK\$'000		31 March 2006 (audited) HK\$'000	
Current – 3 months	172,265	167,901		
4 – 6 months	4,506	2,860		
Over 6 months	39,903	23,294		
	<u>216,674</u>	<u>194,055</u>		

As of 30 September 2006, retentions payable to customers for contract works included in accounts payable amounted to approximately HK\$34,112,000 (31 March 2006: HK\$37,385,000).

As of 30 September 2006, trade payables to related parties included in accounts payable amounted to approximately HK\$21,000 (31 March 2006: HK\$181,000) (note 10).

10. RELATED PARTY TRANSACTIONS AND BALANCES**(a) Related party transactions**

During the period and in the ordinary course of its business, the Group had transactions with the following related parties:

		Six months ended 30 September	
	Notes	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Rental expenses paid to:			
Win Source Investment Limited ("Win Source")	(i)	<u>33</u>	<u>33</u>
Frason Holdings Limited ("Frason")	(ii)	<u>1,500</u>	<u>–</u>

As of the balance sheet date, the Group had the following balances with the following related parties:

		30 September 2006 (unaudited) HK\$'000		31 March 2006 (audited) HK\$'000	
	Notes				
Rental deposit placed with Frason	(ii)	<u>900</u>	<u>–</u>		
Contract costs payable to close family members of Mr. Ngai, included in accounts payable (Note 9)		<u>21</u>	<u>181</u>		

Notes:

- (i) Win Source is beneficially wholly owned by Mr. Ngai Chun Hung ("Mr. Ngai"), Chairman of the Board of the Company. The rental was determined based on arm's length negotiations between the Group and Win Source with reference to prevailing market rates.
- (ii) Frason is beneficially wholly owned by Mr. Ngai. On 28 February 2006, the Group entered into a tenancy agreement with Frason for the lease of office premises for a three-year term from 1 March 2006 to 28 February 2009 at a monthly rental of HK\$300,000 and with a two-month rent free period from 1 March 2006 to 30 April 2006. The terms of the tenancy agreement were determined based on arm's length negotiations between the Group and Frason with reference to prevailing market conditions. The rental expenses were paid and the rental deposit was made pursuant to this tenancy agreement.

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Short-term employee benefits	5,457	5,796
Post-employment benefits	78	93
Total compensation paid to key management personnel	<u>5,535</u>	<u>5,889</u>

11. CONTINGENT LIABILITIES

As of 30 September 2006, the Group had the following contingent liabilities:

- (a) The Group had outstanding guarantees against performance bonds in favour of construction and maintenance contract customers of approximately HK\$124,552,000 (31 March 2006: HK\$82,698,000).
- (b) The Company had outstanding guarantees against banking facilities granted to subsidiaries of the Company to the extent of approximately HK\$845,144,000 (31 March 2006: HK\$877,302,000), of which HK\$663,733,000 was utilised by the subsidiaries (31 March 2006: HK\$567,158,000).
- (c) As of 30 September 2006, the Group had the following outstanding litigation:
- (i) On 3 January 2003, a High Court action was brought by a subcontractor against the Group for a claim of subcontracting fee of approximately HK\$2.6 million. The Directors consider that, given the nature of the claim, it is not possible to estimate the eventual outcome of the claims with reasonable certainty at this stage. The Directors are of the opinion that the Group has valid defense, and consider that any resulting liability would not have any material impact on the Group's financial position.
- (ii) On 2 April 2005, 15 June 2005, 3 August 2005, 7 November 2005 and 16 March 2006, two District Court actions and one High Court action were commenced by employees of the Group against the Group, and two District court actions and one High court action were brought by employees of the Group's subcontractors against the Group and other respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance and the common law for personal injuries sustained by those employees in five accidents respectively arising out of and in the course of their employment.

(iii) On 10 April 2006, 8 May 2006, 11 May 2006 and 24 July 2006, four District Court actions were commenced by four employees of the Group's subcontractor against the Group and another respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance for personal injuries sustained by the employees in four accidents arising out of and in the course of their employment.

(iv) On 18 May 2006, a High Court action was commenced by an employee of the Group's subcontractor against the Group and other respondents in respect of claims for employees' compensation under the Employees' Compensation Ordinance for personal injury sustained by the employee in an accident arising out of and in the course of his employment.

No settlement has been reached for the above actions up to the date of this report and no judgement has been made against the Group in respect of the claims. The Directors are of the opinion that the claims will be covered by insurance and would not have material adverse impact on the Group's financial position.

- (d) The Group had possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$1.5 million at 30 September 2006 (31 March 2006: HK\$1.4 million). This contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances.

Save as disclosed above, as of 30 September 2006, the Group and the Company had no material contingent liabilities.

12. CAPITAL COMMITMENT

The Group had no significant outstanding capital commitment as at 30 September 2006 not provided for in the accounts (31 March 2006: HK\$943,000).

13. POST BALANCE SHEET EVENT**(a) Disposal of leasehold land and building**

On 15 November 2006, the Company completed the disposal of its leasehold land and building located in London, the United Kingdom and having a carrying value of approximately HK\$16,199,000, for a sale price of GBP1,525,000 (approximately HK\$22,951,000).

(b) Issuance of employee share options

On 5 August 2002, the Company adopted a share option scheme ("2002 Share Option Scheme") as incentives and rewards to eligible participants (including directors and full-time employees) for their contributions to the Group. On 7 December 2006, the Company issued options to various employees (not including any director of the Company) under the 2002 Share Option Scheme as follows:

Date of grant	Exercise period	Exercise price	Number of ordinary shares underlying the share options
7 December 2006	7 June 2007 to 6 June 2012	HK\$0.165	6,900,000

RESULTS FOR THE INTERIM PERIOD

The Group recorded an unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30 September 2006 ("this period") of approximately HK\$19,142,000, decreased by 49% from HK\$37,728,000 (as restated) for the previous corresponding period.

During this period, the Group did not recognise any change in the fair values of its investment properties, whereas a gain of approximately HK\$25,427,000 was recognised for the previous corresponding period. If excluding the gain on fair value changes of investment properties, the Group's net profit for this period increased by 56% from the previous corresponding period.

Turnover for this period was approximately HK\$623,884,000 (2005 restated: HK\$614,107,000), which consists of: (i) contract revenue of approximately HK\$615,110,000, increased by 0.9% from HK\$609,355,000 for the previous corresponding period, and (ii) property gross rental income of approximately HK\$8,774,000, increased by 85% from HK\$4,752,000 (as restated) for the previous corresponding period.

Gross profit margin for the construction, maintenance and engineering segments increased to 6.9% for this period from 5.7% for the previous corresponding period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (2005: Nil).

REVIEW OF OPERATIONS**Construction, Maintenance, Civil Engineering and Other Contract Works**

As of 30 September 2006, the total and outstanding values of the Group's substantial contracts on hand were approximately HK\$3,273 million and HK\$2,693 million respectively. These contracts will be completed in around two to three years' time.

Able Engineering Company Limited ("Able Engineering")

During this period, Able Engineering completed the following significant contracts:

- Construction of Second Primary School & Second Secondary School in Area 104, and a primary school at Junction of Tin Shing Road and Tin Pak Road, Tin Shui Wai
- Conversion Works of Kom Tong Hall into Dr Sun Yat Sen Museum at Castle Road, Central Mid-levels, Hong Kong
- Fitting Out Works for International Christian Quality Music Secondary and Primary Schools

In addition, during this period, Able Engineering was awarded a number of significant contracts in the private sector, which include the following with an aggregate contract value of approximately HK\$1,200 million:

- Carcass work for the residential development at TKOTL No. 70, Area 86, Site F, Tsung Kwan O, which comprises 5 blocks of 52 to 56-storey residential towers with a total number of 2,096 flat units sitting on a 5-storey podium
- Main contract for the construction of a residential development at TCTL No. 4, Tung Chung Station Development Package 2, Phase 4, which comprises 6 blocks of 18-storey residential towers with a total number of 533 flat units
- Interior fitting-out work for the residential development at Lot No. 2081 in D.D. 109, Kam Tin, Yuen Long, which comprises 244 three-storey houses.

Excel Engineering Company Limited ("Excel Engineering")

During this period, Excel Engineering completed the major contract for the renovation works to swimming pool and changing rooms at Jat Min Chuen, Shatin.

In addition, during this period, Excel Engineering was awarded the significant contract for the Replacement and Rehabilitation of Water Mains Stage 1 Phase 2 – Mains on Hong Kong Islands with a contract value of HK\$223 million.

Property Investment

During this period, the Group noted an impressive growth in rental income from its investment properties and recorded a gross rental income of HK\$7,084,000, representing a 124% increase from HK\$3,168,000 for the previous corresponding period.

Property Development

Our application to the Lands Tribunal for an order under the Land (Compulsory Sales for Redevelopment) Ordinance to sell all the undivided shares in the lots at Nos. 125 and 127 Tung Choi Street, Mongkok is still in progress. Pending the results of the legal proceedings, during this period, we continued to lease out the shops on Ground Floor of Nos. 123 and 125 on a short-term basis and recognised a gross rental income of HK\$1,690,000 (2005 restated: HK\$1,584,000).

Whilst we have decided not to proceed with the lease modification of the site at No. 9 Belfran Road, Kowloon, the redevelopment plan is still under review.

The site investigation work for the project at Tai Po Town Lot No. 180 was completed and the planning and design work is at the final stage. Construction work will commence once the building plan is finalised and approved by the Buildings Department.

FINANCIAL REVIEW**Liquidity**

As of 30 September 2006, the Group had cash and cash equivalents of approximately HK\$94,616,000, an increase by 23% from HK\$77,010,000 as of 31 March 2006, and pledged deposits of approximately HK\$8,327,000, an increase of approximately 2% from HK\$8,180,000 as of 31 March 2006. Current ratio, measured as total current assets divided by total current liabilities, was 1.1 as of 30 September 2006 (31 March 2006: 1.0).

Financial resources

The Group used net cash of approximately HK\$88,415,000 in its operating activities during this period (2005: HK\$884,706,000). Excluding the bank loan directly associated with the non-current asset classified as held for sale, bank overdrafts and loans stood at HK\$584,394,000 as of 30 September 2006, increased by 21% from HK\$484,461,000 as of 31 March 2006. The gearing ratio, measured on the basis of net borrowings (total bank borrowings and finance lease payables less total cash and cash equivalents and pledged deposits) over total shareholders' equity, was 166% as of 30 September 2006 (31 March 2006: 147%).

The Group's borrowings are principally on a floating rate basis and denominated in Hong Kong dollars, except for a bank loan of GBP870,000, which is denominated in British Pound Sterling and directly associated with a property located in London, the United Kingdom, classified as held for sale. Due to the substantial increase in bank loans as compared to the balance as of 30 September 2005, interest expenses for this period increased to approximately HK\$13,541,000 by 55% from HK\$8,727,000 (as restated) for the previous corresponding period.

Whilst the Group's bank borrowings bear interest at market floating rates, the Group has entered into interest rate swap arrangements denominated in Hong Kong dollars with a bank for a total notional amount of HK\$150 million to mitigate the risk of interest rate upward trends.

Total banking facilities, comprising primarily bank overdrafts and loans, amounted to approximately HK\$845 million as of 30 September 2006 (31 March 2006: HK\$873 million), of which approximately HK\$181 million (31 March 2006: HK\$306 million) was unutilised.

Charges on assets

As of 30 September 2006, the Group's banking facilities were secured by (i) charges on the investment properties of the Group with an aggregate carrying value of approximately HK\$504,590,000; (ii) charges on the Group's properties held for and under development of approximately HK\$160,900,000; (iii) leasehold land and building classified as held for sale of approximately HK\$16,199,000; (iv) charges over the Group's time deposits of approximately HK\$8,327,000 plus any interest accrued thereon. In addition, receivables of certain construction and maintenance contracts have been assigned in favour of certain banks to secure the banking facilities as of 30 September 2006.

Contingent liabilities

Details of the Group's contingent liabilities are set out in note 11 to these condensed consolidated financial statements.

PROSPECTS

The construction industry in Hong Kong has remained competitive. Whilst it is not expected that the Government will change its cautiousness with public spending on new building constructions in the near future, we have diverting our effort and resources to maintenance projects and the private sector.

Our effort has proved a great success in bidding maintenance jobs. Following the awarding by the Architectural Services Department to Able Engineering of the 3-year term contract worth HK\$683 million for design and construction of minor works to government and subvented properties covering the whole of Hong Kong in early 2006, during this period, Excel Engineering was awarded by the Water Supplies Department (WSD) a significant contract worth HK\$223 million for the replacement and rehabilitation of water mains on Hong Kong Islands. Subsequent to the period end, in October 2006, WSD has further awarded Excel Engineering with another significant contract worth HK\$203 million for the replacement and rehabilitation of water mains in Kowloon City, Wong Tai Sin and Kwun Tong. Currently, around 50% of the total outstanding value of our contracts on hand are attributable to maintenance projects. We expect that these maintenance projects will make positive contributions to our future earnings.

In addition, we have also expanded our customer base to the private sector. During this period, Able Engineering successfully secured three significant contracts worth HK\$1,200 million in total for the construction and interior fitting out works for three residential developments of leading property developers in Hong Kong. Leveraging on our high reputation in the public building construction sector, we will continue to keep up our quality of work and endeavor to obtain more jobs from quality clients in the private sector.

On the other hand, the Directors have positive views about the diversification of its businesses to mainland China, especially Beijing, as mainland China is considered a wider and bigger market than Hong Kong. As such, we have been exploring opportunities in mainland China. On 28 October 2006, the Group entered into a cooperation agreement with China Radio and TV International Techno-Economic Cooperation Co. (中國廣播電視國際經濟技術合作總公司) regarding a property development project at No. 1 Guangqu Road, Chaoyang District, Beijing, People's Republic of China, which occupies a land area of 34,715 sq. meter. The existing buildings on this site will be demolished and redeveloped as a commercial and office complex with a gross floor area of 6,174 sq. meter. Pursuant to the cooperation agreement, the Group is responsible for the total redevelopment costs of RMB18,120,000 (approximately HK\$17,943,000). In return, the Group will be entitled to the use and earnings of the ground to 4th floors of the redeveloped commercial and office complex for 12 years. The redevelopment is expected to be completed by August 2007. The Directors consider that this property development project presents a good opportunity for the Group to tap the potentials of diversification of its businesses to mainland China.

STAFF AND REMUNERATION POLICY

As of 30 September 2006, the Group employed 300 full-time employees in Hong Kong. The Group remunerates its staff based on their performance and work experience and by reference to the prevailing market rates. Staff benefits include mandatory provident fund, medical insurance and training programmes.

The Company adopted a share option scheme ("Scheme") as incentives for the full-time employees and executives, to recognise their contributions to the growth of the Group and to provide more flexibility for the Group in formulating its remuneration policy. No share option was granted under the Scheme during this period. Nor was there any share option outstanding under the Scheme as of 30 September 2006.

Subsequent to the end of this period, the Company issued options underlying a total of 6,900,000 ordinary shares to various employees (not including any Director) under the Scheme. These options were granted on 7 December 2006, and will be exercisable at a subscription price of HK\$0.165 per share for a 5-year period commencing from 7 June 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules during the six months ended 30 September 2006.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises the three Independent Non-executive Directors of the Company, Prof. Ko Jan Ming, Mr. Ip Kwok Him, GBS, JP and Mr. Fung Pui Cheung, Eugene. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. The Audit Committee has also reviewed the unaudited interim financial statements for the six months ended 30 September 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding the Directors' securities transactions. Following specific enquiry made by the Company, the Directors have confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 September 2006.

DIRECTORS

As at the date of this announcement, the Directors of the Company comprised:

Executive Directors
Mr. Ngai Chun Hung
Mr. Yau Kwok Fai
Mr. Shek Yu Ming Joseph
Mr. Li Chi Pong

Independent Non-executive Directors
Prof. Ko Jan Ming
Mr. Ip Kwok Him, GBS, JP
Mr. Fung Pui Cheung, Eugene

On behalf of the Board
Ngai Chun Hung
Chairman