



CHINA ELEGANCE (HOLDINGS) LIMITED

(Stock Code: 476)



Interim Report

06/07

CONDENSED CONSOLIDATED INCOME STATEMENT

The board of directors (the "Directors") of China Elegance (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2006	2005
		(unaudited)	(unaudited)
	Notes	HK\$'000	and restated)
			HK\$'000
CONTINUING OPERATIONS			
TURNOVER	4	–	62,269
Cost of sales		–	(56,765)
Gross profit		–	5,504
Other revenue	5	887	858
Administrative expenses		(8,514)	(7,530)
Other operating expenses		(12)	(1,457)
LOSS FROM OPERATING ACTIVITIES	6	(7,639)	(2,625)
Finance costs – bank charges and interest		–	(432)
LOSS AFTER FINANCE COSTS		(7,639)	(3,057)
Share of profits of associates		1,730	1,750
LOSS BEFORE TAX		(5,909)	(1,307)
Tax	7	–	–
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(5,909)	(1,307)
DISCONTINUED OPERATION			
PROFIT/(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATION	8	61	(1,664)
NET LOSS FOR THE PERIOD		(5,848)	(2,971)
ATTRIBUTABLE TO			
Shareholders of the Company		(6,345)	(2,184)
Minority interests		497	(787)
		(5,848)	(2,971)
LOSS PER SHARE			
FROM CONTINUING AND DISCONTINUED OPERATIONS	9		
Basic		HK\$(0.0068)	HK\$(0.0025)
Diluted		N/A	N/A
FROM CONTINUING OPERATIONS			
Basic		HK\$(0.0067)	HK\$(0.0014)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2006 (unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		1,608	719
Interests in associates		3,702	4,038
Available-for-sale investments		3,102	3,183
Corporate membership		–	268
		8,412	8,208
CURRENT ASSETS			
Inventories		–	3,524
Bills receivable		–	155
Accounts receivable	10	45	1,699
Prepayments, deposits and other receivables		7,028	1,913
Pledged bank deposit		468	–
Cash and bank balances		12,587	13,890
		20,128	21,181
CURRENT LIABILITIES			
Accounts payable	11	–	241
Accrued liabilities and other payables		935	2,786
Tax payable		564	564
		1,499	3,591
NET CURRENT ASSETS		18,629	17,590
NET ASSETS		27,041	25,798
CAPITAL AND RESERVES			
Share capital	12	10,333	8,833
Reserves		16,708	16,595
Capital and reserves attributable to shareholders of the Company		27,041	25,428
Minority interests		–	370
		27,041	25,798

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company								
	Share capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Revaluation reserve	Accumulated profits/(losses)	Total	Minority interests	Total equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	8,833	-	20,566	1	(1,243)	(2,729)	25,428	370	25,798
Change in fair value of available-for-sale investments	-	-	-	-	(81)	-	(81)	-	(81)
Net expenses recognised directly in equity	-	-	-	-	(81)	-	(81)	-	(81)
Net loss for the period	-	-	-	-	-	(6,345)	(6,345)	497	(5,848)
Total recognised expenses for the period	-	-	-	-	(81)	(6,345)	(6,426)	497	(5,929)
Issue of shares in placing arrangement	1,500	6,750	-	-	-	-	8,250	-	8,250
Share issue expenses	-	(210)	-	-	-	-	(210)	-	(210)
Disposal of subsidiaries	-	-	-	(1)	-	-	(1)	(867)	(868)
At 30 September 2006	10,333	6,540	20,566	-	(1,324)	(9,074)	27,041	-	27,041
At 1 April 2005, as previously reported	8,833	-	20,566	1	-	8,314	37,714	4,874	42,588
Opening adjustment for adoption of HKASs 32 and 39	-	-	-	-	(1,337)	-	(1,337)	-	(1,337)
At 1 April 2005, as restated	8,833	-	20,566	1	(1,337)	8,314	36,377	4,874	41,251
Change in fair value of available-for-sale investments	-	-	-	-	(310)	-	(310)	-	(310)
Net expenses recognised directly in equity	-	-	-	-	(310)	-	(310)	-	(310)
Net loss for the period	-	-	-	-	-	(2,184)	(2,184)	(787)	(2,971)
Total recognised expenses for the period	-	-	-	-	(310)	(2,184)	(2,494)	(787)	(3,281)
At 30 September 2005	8,833	-	20,566	1	(1,647)	6,130	33,883	4,087	37,970



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(11,700)	12,665
NET CASH GENERATED FROM INVESTING ACTIVITIES	2,202	3,007
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	8,040	(432)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,458)	15,240
Cash and cash equivalents at beginning of period	14,045	14,615
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12,587	29,855
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	12,587	29,566
Bills receivable	–	289
	12,587	29,855

1. CORPORATE INFORMATION

China Elegance (Holdings) Limited (the “Company”) is incorporated in Bermuda with limited liabilities. Its shares are listed on the Stock Exchange of Hong Kong Limited. The Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Its head office and principal place of business is 37th Floor, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of investment holding and metals and minerals trading. The Group was also engaged in the manufacture, trading and distribution of consumer products which was discontinued in the current period (See note 8).

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 (the “Listing Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of these new HKFRSs has resulted in changes to the Group’s accounting policies in the following area:

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) “Financial Guarantee Contracts” which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 “Financial Instruments: Recognition and Measurement” as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

The adoption of this amendment has had no material effect on the results and presentation in the Group's interim financial statements.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective as the Company anticipates that the application of these new HKFRSs will have no material impact on the results and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – INT 10	Interim financial reporting and impairment ²

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 November 2006.

³ Effective for annual periods beginning on or after 1 June 2006.

⁴ Effective for annual periods beginning on or after 1 May 2006.

NOTES TO CONDENSED FINANCIAL STATEMENTS

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the sales value of goods supplied to customers. An analysis of turnover and results by business segments is as follows:

Business segments:

	Continuing operations		Discontinued operation		Consolidated	
	Metals and minerals		Consumer products		Six months ended	
	Six months ended		Six months ended		30 September	
	2006	2005	2006	2005	2006	2005
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	–	62,269	7,636	5,834	7,636	68,103
Segment results	(1,817)	4,052	(13)	(3,767)	(1,830)	285
Unallocated operating income and expenses					(5,748)	(4,574)
Finance costs					–	(432)
Share of profits of associates					1,730	1,750
Tax					–	–
Net loss for the period					(5,848)	(2,971)

Geographical segments:

As over 90% of the Group's business revenue was generated from the People's Republic of China, no geographical segments analysis is presented.

NOTES TO CONDENSED FINANCIAL STATEMENTS

5. OTHER REVENUE

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2006	2005	2006	2005	2006	2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of subsidiaries	428	–	74	–	502	–
Interest income	103	207	3	12	106	219
Others	356	651	549	1,695	905	2,346
	887	858	626	1,707	1,513	2,565

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities has been arrived at after charging:

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2006	2005	2006	2005	2006	2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	257	179	107	175	364	354
Bad debts written off	–	–	–	1,891	–	1,891
Impairment loss of goodwill	–	1,449	–	–	–	1,449

NOTES TO CONDENSED FINANCIAL STATEMENTS

7. TAX

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2006	2005	2006	2005	2006	2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	-	-	-	-	-

No Hong Kong profits tax has been provided for the Company and its subsidiaries as they had no assessable profits for the current period (2005: Nil).

The Group's share of tax of associates of HK\$699,000 (2005: HK\$655,000) is included under share of profits of associates in the unaudited condensed consolidated income statement.

Overseas taxes on profits assessable of the Company and its subsidiaries or associates, if any, are calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on the prevailing legislation, interpretations and practices in respect thereof.

There were no significant deferred tax liabilities at the balance sheet date (31 March 2006: Nil).

NOTES TO CONDENSED FINANCIAL STATEMENTS

8. DISCONTINUED OPERATION

The Company had, through its wholly-owned subsidiary, entered into a sale and purchase agreement on 17 August 2006 with a third party to dispose of its entire 60% interest in Unicon Spirit Development Ltd. ("Unicon Spirit") for a consideration of HK\$3,400,000 ("Disposal"). Unicon Spirit and its subsidiaries ("Unicon Group") are engaged in the manufacture, trading and distribution of consumer products. The Disposal represented the discontinuance of the Group's consumer products operation.

An analysis of the results of the discontinued operation is as follows:

	Six months ended	
	30 September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Turnover	7,636	5,834
Cost of sales	(5,179)	(4,239)
Gross profit	2,457	1,595
Other revenue	552	1,707
Selling and distribution costs	(832)	(704)
Administrative expenses	(2,190)	(4,262)
Loss before tax	(13)	(1,664)
Tax	-	-
Loss after tax of discontinued operation	(13)	(1,664)
Gain on disposal of discontinued operation	74	-
Profit/(Loss) for the period from discontinued operation	61	(1,664)
Attributable to:		
Shareholders of the Company	(8)	(941)
Minority interests	69	(723)
	61	(1,664)

NOTES TO CONDENSED FINANCIAL STATEMENTS

8. DISCONTINUED OPERATION (Continued)

The cash flows attributable to the discontinued operation are as follows:

	Six months ended	
	30 September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cash inflow/(outflow) from:		
Operating activities	1,570	(1,650)
Investing activities	(317)	2,093
Net cash inflow	1,253	443

9. LOSS PER SHARE

Basic loss per share is calculated based on the net loss attributable to the shareholders of the Company for the period of approximately HK\$6,345,000 (2005: HK\$2,184,000) and weighted average number of ordinary shares of 938,214,833 (2005: 883,296,800) during the period.

i) *From continuing operations*

Basic loss per share from continuing operations is calculated based on the loss from continuing operations attributable to the shareholders of the Company for the period of approximately HK\$6,337,000 (2005: HK\$1,243,000) and weighted average number of ordinary shares of 938,214,833 (2005: 883,296,800) during the period.

NOTES TO CONDENSED FINANCIAL STATEMENTS

9. LOSS PER SHARE (Continued)

ii) From discontinued operation

	Six months ended 30 September	
	2006 (unaudited)	2005 (unaudited)
Loss per share		
Basic	HK\$(0.0001)	HK\$(0.0011)
Diluted	N/A	N/A

Basic loss per share from discontinued operation is calculated based on the loss from discontinued operation attributable to the shareholders of the Company for the period of approximately HK\$8,000 (2005: HK\$941,000) and weighted average number of ordinary shares of 938,214,833 (2005: 883,296,800) during the period.

Diluted loss per share is not presented for both current and prior periods as the Company had no potential ordinary shares at the respective balance sheet dates.

10. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	As at			
	30 September 2006		31 March 2006	
	(unaudited) HK\$'000	(unaudited) Percentage	(audited) HK\$'000	(audited) Percentage
Current to three months	–	–	1,349	79
Four to six months	40	89	53	3
Over six months	5	11	297	18
	45	100	1,699	100

The normal credit period granted by the Group to customers ranges from 90 days to 180 days.

NOTES TO CONDENSED FINANCIAL STATEMENTS

11. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	As at			
	30 September 2006		31 March 2006	
	(unaudited) HK\$'000	(unaudited) Percentage	(audited) HK\$'000	(audited) Percentage
Current to three months	–	–	89	37
Four to six months	–	–	–	–
Over six months	–	–	152	63
	<u>–</u>	<u>–</u>	<u>241</u>	<u>100</u>

12. SHARE CAPITAL

	Company	
	30 September 2006 (unaudited) HK\$'000	31 March 2006 (audited) HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
1,033,296,800 (31 March 2006: 883,296,800) ordinary shares of HK\$0.01 each	<u>10,333</u>	<u>8,833</u>

The Company entered into a placing agreement on 6 July 2006 ("Placing Agreement") with a placing agent where it conditionally agreed to place through the placing agent up to 150,000,000 new shares at the issue price of HK\$0.055 per share. Pursuant to the Placing Agreement, the Company issued 150,000,000 new shares to independent third parties at the issue price of HK\$0.055 per share as at 26 July 2006.

NOTES TO CONDENSED FINANCIAL STATEMENTS

12. SHARE CAPITAL (Continued)

Share options

The Company's share option scheme (the "Option Scheme"), which was adopted by the shareholders of the Company on 5 January 2004 (the "Adoption Date"), constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and will remain in force for 10 years from the Adoption Date.

The Company operates the Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

No share option was granted under the Option Scheme during the period and there was no outstanding share option as at the balance sheet date.

13. DISPOSAL OF SUBSIDIARIES

	Six months ended
	30 September
	2006
	(unaudited)
	HK\$'000
Net assets disposed of:	
Fixed assets	734
Corporate membership	268
Inventories	5,980
Accounts receivable	1,832
Prepayments, deposits and other receivables	1,031
Cash and bank balances	1,099
Accounts payable	(725)
Accrued liabilities and other payables	(5,873)
Amount due to immediate holding company	(580)
Minority interests	(867)
	<u>2,899</u>
Exchange reserve released	(1)
	<u>2,898</u>
Gain on disposal of subsidiaries	502
	<u>3,400</u>
Satisfied by:	
Cash	<u>3,400</u>

NOTES TO CONDENSED FINANCIAL STATEMENTS

13. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	Six months ended 30 September 2006 (unaudited) HK\$'000
Cash consideration	3,400
Cash and bank balances disposed of	(1,099)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	<u>2,301</u>

14. CONTINGENT LIABILITIES

As at 30 September 2006, the Group had provided corporate guarantee of US\$12,000,000 (31 March 2006: Nil) to a bank in respect of banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

15. PLEDGE OF ASSETS

As at 30 September 2006, the Group had pledged its bank deposit of approximately HK\$468,000 (31 March 2006: Nil) to secure banking facilities granted to the Group. The banking facilities were not utilised by the Group at the balance sheet date.

16. COMPARATIVE FIGURES

Due to the Disposal of the Unicon Group during the period, which constituted a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", certain comparative figures were restated so as to reflect the results for the continuing operations.

RESULTS

During the six months ended 30 September 2006, the Group had not recorded any turnover from its continuing operations (2005: HK\$62.3 million). The decrease in turnover was mainly due to the increased volatility of global metals and minerals market, and the increase of relevant transportation and freight costs during the period.

Owing to restructuring of the Group's operation, the consumer products business was discontinued by the disposal of Unicon Spirit Development Ltd. and its subsidiaries (the "Unicon Group") during the period.

As a result, there was a net loss attributable to shareholders of the Company of HK\$6.3 million for the period (2005: HK\$2.2 million). Basic loss per share for the period was HK\$0.0068 (2005: HK\$0.0025).

INTERIM DIVIDEND

The Directors do not recommend to pay any interim dividend for the six months ended 30 September 2006 (2005: Nil).

BUSINESS REVIEW AND PROSPECTS

Consumer products business

As mentioned in the 2006 annual report of the Company, there was a rise in raw materials and manufacturing costs of consumer products and an intense market competition on global consumer products market. As a result, the gross profit margin of the Group's consumer products business dropped from approximately 30% to approximately 17% during the past financial year.

In view of the above, the Directors decided to reformulate the Group's business strategy by disposing its consumer products business by the disposal of its entire 60% interest in Unicon Group (the "Disposal"). The Directors considered that the Disposal will allow the Group to focus on its other core businesses, including but not limited to, metals and minerals trading. The Disposal was completed on 17 August 2006 and it constitutes the discontinued operation of the Group for the six months ended 30 September 2006.

Metals and minerals trading

The demand for metals and minerals was volatile in PRC during the period due to increased volatility of global metals and minerals market as well as the increase of transportation and freight costs. The Group will be cautious and careful in dealing with the metals and minerals trading business.

In the meantime, the Group will also focus its efforts to identify and pursue other resources type trading business and the Directors believe that the Group will be able to take up such opportunities when they arise.

LIQUIDITY AND FINANCIAL RESOURCES

The Company announced on 7 July 2006 that the Company proposed for a placement of up to 150,000,000 new shares at the issue price of HK\$0.055 per placing share (the "Placing"). The Directors have considered various ways of raising additional funds for future use and having considered that the recent rising trend of interest rates of bank loans, the Directors consider that the Placing represents an opportunity for the Company to raise capital at a relatively low cost while broadening the shareholder base of the Company. The Placing was completed on 26 July 2006 and 150,000,000 new shares were issued to independent third parties. The net proceeds of approximately HK\$8.04 million will be used for general working capital of the Group and for future investments.

Besides the capital raised as mentioned above, the Group generally finances its operations with internally generated cashflows during the period under review.

The Group's gearing ratio as at 30 September 2006 and 31 March 2006 were nil as there were no bank borrowings at the respective dates. Interest on bank borrowings is charged at commercial lending rates to the Group.

As at 30 September 2006, the Group had bank balances and cash of approximately HK\$13.1 million (31 March 2006: HK\$13.9 million). The Group had also obtained banking facilities with total amount of US\$12.0 million (31 March 2006: Nil) which has not been utilized as at 30 September 2006. Bank deposits of HK\$468,000 (31 March 2006: Nil) as at 30 September 2006 were pledged to secure these banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

The operating cash flows of the Group are mainly denominated in HK dollars, Renminbi and US dollars. The available-for-sale investments are denominated in Australian dollars and certain accounts receivable and payable are denominated in US dollars and Renminbi. Foreign exchange exposure in respect of US dollars and Renminbi are considered to be minimal as HK dollars have been pledged with US dollars, and despite the recent gradual appreciation of Renminbi, the exchange rate of Renminbi against HK dollars is still considered relatively stable as it is expected that the PRC Central Government will continue to monitor the appreciation of Renminbi carefully. For other currencies, the Group will closely monitor the currency exposure and, when considered appropriate, will take the necessary actions to ensure that such exposure is properly hedged.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2006, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Cheung Ngan	Personal	311,232,469	—	30.12%

Save as disclosed above, as at 30 September 2006, none of the directors of the Company have interest or short positions in the shares and underlying shares or other securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

No director, whether directly or indirectly, had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the period under review.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2006, no person, other than Mr. Cheung Ngan's interests which are disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

During the six months ended 30 September 2006, the Company was in compliance with the code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") except the following:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Cheung Ngan. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The current independent non-executive directors of the Company are not appointed for a specific term as required by code provision A.4.1. The relevant Bye-law of the Company stipulates that all directors, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions (the "Model Code").

Specific enquiry has been made of all the directors of the Company who have confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 September 2006.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company 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 unaudited interim financial statements for the six months ended 30 September 2006.

By Order of the Board

Cheung Ngan

Chairman

Hong Kong, 14 November 2006