



Deson Development International Holdings Limited

迪臣發展國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 262)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

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 2006, together with the comparative figures for the six months ended 30 September 2005 as follows :

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

	Notes	2006 HK\$'000	2005 HK\$'000
<b>REVENUE</b>	3	<b>227,902</b>	258,830
Cost of sales		<u>(178,316)</u>	<u>(221,509)</u>
Gross profit		<b>49,586</b>	37,321
Other income and gains	3	<b>6,639</b>	15,696
Administrative expenses		<b>(52,919)</b>	(48,887)
Gain on disposal of available-for-sale equity investment		<b>3,053</b>	–
Finance costs	5	<b>(2,554)</b>	(989)
Share of profits and losses of:			
A jointly-controlled entity		<b>(9)</b>	34
Associates		<b>857</b>	90
<b>PROFIT BEFORE TAX</b>	4	<b>4,653</b>	3,265
Tax	6	<b>(2,279)</b>	(440)
<b>PROFIT FOR THE PERIOD</b>		<b><u>2,374</u></b>	<b><u>2,825</u></b>
Attributable to:			
Equity holders of the Company		<b>2,629</b>	2,414
Minority interests		<b>(255)</b>	411
		<b><u>2,374</u></b>	<b><u>2,825</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
– Basic		<b><u>0.50 cent</u></b>	<u>0.48 cent</u>
– Diluted		<b><u>0.50 cent</u></b>	<u>N/A</u>

**CONSOLIDATED BALANCE SHEET**  
30 September 2006

	Notes	30 September 2006 HK\$'000	31 March 2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		72,807	63,151
Prepaid land lease payments		13,136	13,262
Investment properties		44,592	–
Interest in a jointly-controlled entity		14,504	11,691
Interests in associates		7,764	7,403
Available-for-sale equity investment		21,209	16,174
Long term receivable and deposits		26,776	30,200
Deferred tax assets		413	413
Total non-current assets		<u>201,201</u>	<u>142,294</u>
<b>CURRENT ASSETS</b>			
Amounts due from associates		31,897	19,166
Amounts due from minority shareholders		7	7
Properties held for sale		305,187	228,446
Gross amount due from contract customers		24,132	23,149
Inventories		7,177	8,674
Accounts receivable	8	74,361	60,083
Prepayments, deposits and other receivables		36,317	52,390
Cash and cash equivalents		54,387	47,167
Pledged time deposits		66,050	68,300
Total current assets		<u>599,515</u>	<u>507,382</u>
<b>CURRENT LIABILITIES</b>			
Gross amount due to contract customers		42,138	32,853
Accounts payable	9	35,054	61,682
Other payables and accruals		119,569	93,313
Amounts due to associates		454	443
Amounts due to minority shareholders		10,890	3,984
Tax payable		6,927	4,980
Interest-bearing bank borrowings		89,409	44,662
Total current liabilities		<u>304,441</u>	<u>241,917</u>
<b>NET CURRENT ASSETS</b>		<u>295,074</u>	<u>265,465</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>496,275</u>	<u>407,759</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		90,093	28,800
Deferred tax liabilities		2,637	2,577
Convertible notes		15,673	–
Total non-current liabilities		<u>108,403</u>	<u>31,377</u>
Net assets		<u>387,872</u>	<u>376,382</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital		52,268	49,668
Reserves		330,207	324,439
		<u>382,475</u>	<u>374,107</u>
<b>Minority interests</b>		5,397	2,275
Total equity		<u>387,872</u>	<u>376,382</u>

## NOTES TO 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 and available-for-sale equity investment, which have been measured at fair value.

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 2006.

### 2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

#### (a) Business segments

The following tables present revenue and profit/(losses) information for the Group's business segments for the six months ended 30 September 2006 and 2005.

	For the six months ended 30 September							
	Construction business		Property development and investment		Fitness centre operation and related business		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:								
Sales to external customers	121,539	208,233	73,514	13,320	32,849	37,277	227,902	258,830
Other income and gains	2,701	1,652	2,229	2,762	87	1,430	5,017	5,844
<b>Total</b>	<b>124,240</b>	<b>209,885</b>	<b>75,743</b>	<b>16,082</b>	<b>32,936</b>	<b>38,707</b>	<b>232,919</b>	<b>264,674</b>
Segment results	(5,664)	(2,311)	17,693	4,295	(7,470)	(4,015)	4,559	(2,031)
Interest income and dividend income							1,622	1,961
Gain on disposal of available-for-sale equity investment							3,053	–
Gain on deemed disposal of interest in a subsidiary							–	122
Unallocated expenses							(2,773)	(3,691)
Unallocated income							–	7,769
Impairment of goodwill	(51)	–	(51)	–	–	–	(102)	–
Finance costs							(2,554)	(989)
Share of profits and losses of:								
A jointly-controlled entity	(9)	34	–	–	–	–	(9)	34
Associates	857	90	–	–	–	–	857	90
Profit before tax							4,653	3,265
Tax							(2,279)	(440)
Profit for the period							<b>2,374</b>	<b>2,825</b>
Other segment information:								
Depreciation	798	722	179	160	1,619	1,271	2,596	2,153
Unallocated amounts							9	7
							<b>2,605</b>	<b>2,160</b>
Recognition of prepaid land lease payment	126	–	–	–	–	–	126	–
Loss on disposal of items of property, plant and equipment	–	3	–	–	123	–	123	3
Write-back of provision for doubtful debts	(490)	–	(606)	(920)	–	(1,300)	(1,096)	(2,220)
Provision for other receivables	5	15	–	–	–	–	5	15

#### (b) Geographical segments

The following table presents revenue for the Group's geographical segments for the six months ended 30 September 2006 and 2005.

	For the six months ended 30 September					
	Hong Kong		Mainland China		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:						
Sales to external customers	96,301	169,426	131,601	89,404	227,902	258,830

### 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction work and the net amount of maintenance work invoiced, property development and investment business, fitness centre operations and related business.

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<b>Revenue</b>		
Income from construction contracting and related business	121,539	208,233
Income from property development and investment business	73,514	13,320
Income from fitness centre operation and related business	32,849	37,277
	<u>227,902</u>	<u>258,830</u>
<b>Other income and gains</b>		
Bank interest income	984	492
Other interest income	492	1,380
Gross rental income	1,024	1,067
Dividend income from available-for-sale equity investment	146	90
Gain on deemed disposal of interest in a subsidiary	–	122
Write back of allowance for doubtful debts	1,096	8,389
Others	2,897	4,156
	<u>6,639</u>	<u>15,696</u>

### 4. PROFIT BEFORE TAX

This is arrived at after charging:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cost of inventories sold	11,693	15,823
Depreciation	2,605	2,160
Recognition of prepaid land lease payments	126	–
Minimum lease payments under operating leases on land and buildings	5,318	5,383
Loss on disposal of items of property, plant and equipment	123	3
Impairment of goodwill	102	–
Employee benefits expense (including directors' emoluments):		
Wages and salaries	19,500	19,374
Pension scheme contributions	539	593
Directors remuneration:		
Fee	156	149
Salaries and allowances	1,787	1,588
Pension scheme contributions	50	41
	<u>1,993</u>	<u>1,778</u>

### 5. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings:		
wholly repayable within five years	7,056	998
wholly repayable after five years	–	–
Total interest	7,056	998
Less: Interest capitalised on properties under development	(4,502)	(9)
	<u>2,554</u>	<u>989</u>

### 6. TAX

No Hong Kong profits tax has been provided as the Group did not generated any assessable profits arising in Hong Kong during the period (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Under/(over) provision in prior years – Hong Kong	1	(14)
Current – Elsewhere	2,195	417
Under provision in prior years – Elsewhere	83	37
Total tax charge for the period	<u>2,279</u>	<u>440</u>

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

The calculation of basic earnings per share amounts is based on the net profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the net 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 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 or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2006 HK\$'000	2005 HK\$'000
<b>Earnings</b>		
Net profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>2,629</u>	<u>2,414</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	520,989,028	502,302,154
Effect of dilution – weighted average number of ordinary shares: Share options	<u>335,273</u>	–
	<u><b>521,324,301</b></u>	<u><b>502,302,154</b></u>

The deemed exercise of the full conversion rights of the convertible notes had an anti-dilutive effect on the basic earnings per share and accordingly, has not been included in the diluted earnings per share calculation in current period.

## 8. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 60 days. For retention receivables in respect of construction work 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 accounts receivable as at the balance sheet date, based on the invoice date and net of provision is as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Current to 90 days	31,565	29,743
91 to 180 days	13,100	8,037
181 to 360 days	12,075	11,564
Over 360 days	<u>12,824</u>	<u>6,282</u>
	69,564	55,626
Retention money receivable	<u>4,797</u>	<u>4,457</u>
Total	<u><b>74,361</b></u>	<u><b>60,083</b></u>

## 9. ACCOUNTS PAYABLE

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

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Current to 90 days	23,315	53,929
91 to 180 days	2,942	2,186
181 to 360 days	5,063	1,128
Over 360 days	<u>3,734</u>	<u>4,439</u>
	<u><b>35,054</b></u>	<u><b>61,682</b></u>

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

## 10. POST BALANCE SHEET EVENTS

On 12 December 2006, the Company entered into a placing agreement with 3V Capital Limited (the "Placing Agent"), pursuant to which the Placing Agent agreed to place 50,000,000 new shares on a best efforts basis at a price of HK\$0.50 per share to the funds managed by Penta Investment Advisers Limited, a limited liability company incorporated in the British Virgin Islands, failing which the Placing Agent shall procure other placees to take up the placing share. Completion of the placement will take place on the second business day immediately following the day upon which all the conditions shall have been satisfied (or such later date as the parties may agree in writing but in any event, no later than 29 December 2006).

## **INTERIM DIVIDENDS**

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

## **BUSINESS REVIEW**

The Group's turnover for the period was HK\$227,902,000 which represented a decrease of 12% as compared with last period. The net profit attributable to equity holders of the Company amounted to approximately HK\$2,629,000 representing an increase of 9% as compared with last period. Earnings per share is approximately HK0.50 cent.

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) the operation of fitness club and trading of fitness equipment business.

During the period, the Group already completed projects such as the main contractor for construction of a residential building at no.1 The Peak, Hong Kong, main contractor for design and build of a monastery building including E&M works at Lautau Island, Hong Kong and several school improvement works in Hong Kong.

More to note, during the period, the Group sold certain units in Phase II and Phase III of Asian Villas and Phase I of Asian Villas City Square, Haikou, Hainan Province, and certain villas in Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group. The enthusiastic sales response was demonstrated by the 552% and 412% increase in the segment turnover and segment results as compared to last period.

On the other hand, the fitness club and related business generated a meaningful turnover totaling HK\$33 million to the Group during the period. In May 2006, a new fitness centre was opened at Fortune-King Plaza in Chengdu, PRC, positive feedback and enquiries were received since the opening.

## **PROSPECTS**

### **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 Government 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 Government 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 main contractor for redevelopment of Good Hope School at Ngau Chi Wan, Hong Kong, decoration work for 4th and 5th floors of Ongoing Department Store, Shanghai, PRC, decoration work for a commercial building at Beijing, PRC and air-conditioning and mechanical ventilation installation at Hong Kong School of Creativity at Kowloon Tong, Hong Kong. As at the date of this announcement, the Group has contracts on hand with a total contract sum of over HK\$668 million.

### **Property development and investment**

The development of high-class residential property development project, Parkview, near the Botanical Gardens in Shanghai with a gross floor area of approximately 56,000 sq. metres was completed in December 2003. Certain units of the Parkview were sold at a total contractual sum of over RMB323 million. As Shanghai is now vigorously developing into a metropolis serving as an international financial, information and logistic center, the Directors believe that this project has great market potential and bright prospects by virtue of its unique Botanical Gardens surroundings.

In addition, Asian Villas City Square, Haikou, Hainan Province will be developed into a residential and commercial complex with a total gross floor area of approximately 130,000 sq. metres. Construction is on schedule, up to now, 8 blocks of residential building of Phase I was completed and 2 blocks of residential building of Phase III are under pre-sales. It is expected the whole development will be completed by the mid of 2007. Up to the date of this report, the total contract sum achieved amounted to approximately RMB135 million.

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 Kai Feng. The Directors intends to develop a commercial complex on the site with an estimated gross floor area of approximately 177,000 sq. metres. Up to now, the development is at the removal and demolish stage, processing smoothly, and is expected to be completed by the mid of year 2007.

On 2 November 2006, the Group has been granted the land use rights of a development site in Huidong province of the PRC. The Directors intends to develop residential villas on the site with an estimated gross floor area of approximately 220,796 sq. metres. It is expected the development will soon be commenced.

Although the residual effect of the macro-economic tightening measures have added uncertainties to the growth of the PRC economy, the Directors believe that the austerity measure had only a moderate and short term impact on the property market in the PRC. With strong sustained economic growth in the PRC, coupled with the expected appreciation of RMB, the PRC property market offers tremendous opportunities, and the Directors are now looking for property development projects in the PRC prime cities and may acquire additional land bank for property development purpose, however, the Group has no specific investment plan in relation to any particular project.

Noteworthy is the fact that Directors believe the hosting of the World Expo in 2010 which will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

#### **Operation of sports club, fitness and spa centres and related business**

In the past few years, several fitness and spa centres were opened in various locations in the PRC including Shanghai, Xian, Wuhan, Urumqi and Shenzhen. In May 2004, one of the biggest sport club in the PRC was opened in Jinqiao, Shanghai, the PRC, this sports club has a total gross floor area of approximately 11,000 square meters equipped with swimming pool, tennis court, spa and gym facilities. In addition, one new fitness centre was opened at Fortune-King Plaza, Chengdu, the PRC during the period. There are currently 10 fitness clubs which are operating under the brand name "Megafit". The Group currently has over 10,500 members. As Beijing has won the right to host the 2008 Olympic Games and Guangzhou has won the right to host the 2010 Asian Games, the Directors believe that these events will stimulate the public's enthusiasm in fitness and sports and this business segment will provide a favourable contribution to the Group's revenue in the future.

Subsequent to the period end, the Group had opened another fitness club at Xinjiangwan, Shanghai, the PRC, this fitness club will have a gross floor area of approximately 4,500 square metres, fine-equipped with indoor heated swimming pool, squash field, gymnasium and aerobic exercise equipment etc.. The soft opening of this fitness club was in October 2006 and positive feedback and enquiries was received since the soft opening.

#### **Hotel**

During the period, the Group had purchased a hotel in Haikou, the capital of Hainan Province, the PRC through the acquisition of a subsidiary. The hotel has a gross floor area of 22,739.05 square meters and is under decoration and renovation. In view of the great potential which Hainan Province has as an upscale tourist destination, the Group intends to make use of the acquisition as a stepping stone for the Group to participate in the hotel business in Hainan, as the Directors consider the growth prospects of this business to be promising.

#### **LIQUIDITY AND CAPITAL RESOURCES**

As at 30 September 2006, the Group had total assets of HK\$800,716,000 and current liabilities, long term liabilities, shareholders' equity and minority interests of HK\$304,441,000, HK\$108,403,000, HK\$382,475,000 and HK\$5,397,000, respectively.

The gearing ratio for the Group is, at 21.8% (31 March 2006: 7.7%). It was calculated based on the long term borrowings of HK\$108,403,000 (31 March 2006: HK\$31,377,000) and long term capital of HK\$496,275,000 (31 March 2006: HK\$407,759,000).

#### **CAPITAL STRUCTURE**

In view of the fact that Hong Kong dollars interest rate had risen in the past few months to a level similar to Renminbi interest rate, the Group have increased its Renminbi borrowings to an appropriate level in line with our actual need. Interest for the 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.

#### **RISK OF CURRENCY FLUCTUATION**

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 appreciations of RMB inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and therefore the management does not foresee any significant foreign currency exposure.

#### **CONTINGENT LIABILITIES**

At the balance sheet date, there is no significant contingent liabilities for the Group.

#### **COMMITMENTS**

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Capital commitments contracted, but not provided for, in respect of acquisition of properties	<u>3,788</u>	<u>16,503</u>

#### **EMPLOYEE SCHEMES**

As at 30 September 2006, the Group has 413 employees, 269 of whom were based in the PRC.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, discretionary bonus and share options are linked to individual performance as recognition of and reward for value creation.

#### **CHARGES ON GROUP ASSETS**

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold land and leasehold buildings situated in Hong Kong, which had an aggregate net book value at the balance sheet date of approximately HK\$13,386,000 (31 March 2006: HK\$13,512,000) and HK\$44,831,000 (31 March 2006: HK\$45,398,000), respectively.
- (ii) the pledge of the Group's time deposits of HK\$66,050,000 (31 March 2006 : HK\$68,300,000).
- (iii) the pledge of the Group's completed properties for sale of HK\$62,400,000 (31 March 2006 : HK\$74,306,000).

## **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 period.

## **CORPORATE GOVERNANCE**

In the Corporate Governance Report which was published in our annual report for the year ended 31 March 2006, the Company's corporate governance practices are based on the principles and the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. None of the Directors is aware of information that would reasonably indicate the Company is not complied with the Code throughout the six months ended 30 September 2006, with the following derivations:

### **Code Provision A2.1**

Under Code Provision A2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Company does not have a position of Chief Executive Officer but the Managing Director performs similar function as Chief Executive Officer. 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.

### **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 requirements at least 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 BY DIRECTORS**

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 2006.

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.

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 Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2006. 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 Code for the purpose of reviewing the remuneration policy and fixing the remuneration packages for all Directors. 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.

## **PUBLICATION OF FINANCIAL INFORMATION**

All information required by the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board  
**Tjia Boen Sien**  
*Managing Director and Deputy Chairman*

Hong Kong, 21 December 2006.

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

\* for identification only

Please also refer to the published version of this announcement in The Standard.