



Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)



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

CONSOLIDATED BALANCE SHEET

30 September 2006

	30 September	31 March
	2006	2006
Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
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
	<hr/>	<hr/>
Total non-current assets	201,201	142,294
CURRENT ASSETS		
Amounts due from associates	31,897	19,166
Amounts due from minority shareholders	7	7
Properties held for sale	8 305,187	228,446
Gross amount due from contract customers	24,132	23,149
Inventories	7,177	8,674
Accounts receivable	9 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
	<hr/>	<hr/>
Total current assets	599,515	507,382

CONSOLIDATED BALANCE SHEET (Continued)

30 September 2006

		30 September 2006 HK\$'000	31 March 2006 HK\$'000
	Notes		
CURRENT LIABILITIES			
Gross amount due to contract customers		42,138	32,853
Accounts payable	10	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		304,441	241,917
NET CURRENT ASSETS			
		295,074	265,465
TOTAL ASSETS LESS CURRENT LIABILITIES			
		496,275	407,759
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		90,093	28,800
Deferred tax liabilities		2,637	2,577
Convertible notes	11	15,673	–
Total non-current liabilities		108,403	31,377
Net assets		387,872	376,382
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	12	52,268	49,668
Reserves		330,207	324,439
		382,475	374,107
Minority interests		5,397	2,275
Total equity		387,872	376,382

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2005

	Attributable to equity holders of the Company													
	Issued share capital	Share premium account	Property Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Reserve funds	Retained profits	Minority Total interests	Total equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2005:														
As previously reported	51,675	105,783	15,262	6,450	4,259	7,355	914	-	-	3,260	139,105	334,063	2,006	336,069
Changes in fair value of available-for-sale equity investment	-	-	-	-	-	-	-	5,746	-	-	-	5,746	-	5,746
As restated	51,675	105,783	15,262	6,450	4,259	7,355	914	5,746	-	3,260	139,105	339,809	2,006	341,815
Exchange realignment	-	-	-	-	-	-	(95)	-	-	-	-	(95)	-	(95)
Changes in fair value of available-for-sale equity investment	-	-	-	-	-	-	-	(3,477)	-	-	-	(3,477)	-	(3,477)
Total income and expense recognised directly in equity	-	-	-	-	-	-	(95)	(3,477)	-	-	-	(3,572)	-	(3,572)
Net profit for the period	-	-	-	-	-	-	-	-	-	-	2,414	2,414	411	2,825
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(622)	(622)
Repurchase of shares	(1,828)	(8,636)	-	-	-	1,828	-	-	-	-	(1,828)	(10,464)	-	(10,464)
Share repurchase expenses	-	(120)	-	-	-	-	-	-	-	-	-	(120)	-	(120)
At 30 September 2005	49,847	97,027	15,262	6,450	4,259	9,183	819	2,269	-	3,260	139,691	328,067	1,795	329,862

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Period ended 30 September 2006

	Attributable to equity holders of the Company													Minority interests	Total equity	
	Issued share capital	Share premium account	Contributed surplus	Property revaluation reserve	Equity component of convertible note	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Reserve funds	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 March 2006	49,668	96,671	15,262	29,890	-	(9,121)	9,362	3,162	11,476	799	3,260	163,678	374,107	2,275	376,382	
Exchange realignment	-	-	-	-	-	-	-	1,749	-	-	-	-	1,749	91	1,840	
Share of reserves of associates	-	-	-	-	-	-	-	124	(140)	-	-	-	(16)	-	(16)	
Changes in fair value of available-for-sale equity investment	-	-	-	-	-	-	-	-	(720)	-	-	-	(720)	-	(720)	
Total income and expense recognised directly in equity	-	-	-	-	-	-	-	1,873	(860)	-	-	-	1,013	91	1,104	
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,629	2,629	(255)	2,374	
Offset against amount due to minority shareholder upon acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	346	346	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	2,940	2,940	
Disposal of available-for-sale equity investment	-	-	-	-	-	-	-	-	(3,424)	-	-	-	(3,424)	-	(3,424)	
Exercise of share option	1,100	2,690	-	-	-	-	-	-	(733)	-	-	-	3,057	-	3,057	
Share placement	1,500	3,502	-	-	-	-	-	-	-	-	-	-	5,002	-	5,002	
Equity component of convertible note	-	-	-	-	91	-	-	-	-	-	-	-	91	-	91	
At 30 September 2006	52,268	102,863	15,262	29,890	91	(9,121)	9,362	5,035	7,192	66	3,260	166,307	382,475	5,397	387,872	

Capital reserve as at 1 April 2006 and 30 September 2006 mainly comprises goodwill arising from the acquisition of subsidiaries prior to 1 April 2002, of approximately HK\$9,121,000.

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

Reserve funds of the Group included statutory reserves required to be appropriated from the profit after tax of the Company's Mainland China subsidiaries under Mainland China laws and regulations. The amount of the appropriation is at the discretion of the Mainland China subsidiaries board of directors.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES	(81,520)	10,741
CASH FLOWS FROM INVESTING ACTIVITIES	(25,029)	19,780
CASH FLOWS FROM FINANCING ACTIVITIES	89,577	(62,975)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,972)	(32,454)
Cash and cash equivalents at beginning of period	18,736	49,605
Effect of foreign exchange rate change	705	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,469</u>	<u>17,151</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	54,387	32,591
Bank overdrafts, secured	(51,918)	(15,440)
	<u>2,469</u>	<u>17,151</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
Total	<u>124,240</u>	<u>209,885</u>	<u>75,743</u>	<u>16,082</u>	<u>32,936</u>	<u>38,707</u>	<u>232,919</u>	<u>264,674</u>
Segment results	<u>(5,664)</u>	<u>(2,311)</u>	<u>17,693</u>	<u>4,295</u>	<u>(7,470)</u>	<u>(4,015)</u>	<u>4,559</u>	<u>(2,031)</u>
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							<u>2,374</u>	<u>2,825</u>
Other segment information:								
Depreciation	798	722	179	160	1,619	1,271	2,596	2,153
Unallocated amounts							9	7
							<u>2,605</u>	<u>2,160</u>
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

2. SEGMENT INFORMATION *(Continued)*

(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	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>96,301</u>	<u>169,426</u>	<u>131,601</u>	<u>89,404</u>	<u>227,902</u>	<u>258,830</u>

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	2005
	HK\$'000	HK\$'000
Revenue		
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>
Other income and gains		
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 HK\$'000	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 HK\$'000	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 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings		
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>
Shares		
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	335,273	–
	<u>521,324,301</u>	<u>502,302,154</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. PROPERTIES HELD FOR SALE

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Completed properties	111,374	142,749
Properties under development	193,813	85,697
	<u>305,187</u>	<u>228,446</u>

As at 30 September 2006, certain completed properties held for sale are pledged to banks to secure banking facilities granted to the Group.

9. 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	12,824	6,282
	<u>69,564</u>	<u>55,626</u>
Retention money receivable	4,797	4,457
Total	<u>74,361</u>	<u>60,083</u>

10. 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	3,734	4,439
	<u>35,054</u>	<u>61,682</u>

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

11. CONVERTIBLE NOTES

On 24 April 2006 the Company issued convertible notes with a face value of HK\$15,750,000 and there was no movement in the number of these convertible notes as at the balance sheet date. The notes have a three-year term and were issued at par, giving total proceeds of HK\$15,750,000. Interest is payable half-yearly in arrears at a nominal annual interest rate of 4%. Each note is convertible at any time from the first anniversary of the issue date to the thirtieth day prior to the maturity date, at the holder's option, into 35,000,000 ordinary shares of the Company at an initial conversion price of HK\$0.45 per share.

The fair value of the liability component of the convertible notes was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 4.21% and is carried as a long term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

12. SHARE CAPITAL

Shares

	30 September 2006	31 March 2006
	HK\$'000	HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
522,683,017 (31 March 2006: 496,683,017) ordinary shares of HK\$0.10 each	<u>52,268</u>	<u>49,668</u>

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

	Number of shares in issue	Issued share capital	Share premium account	Share option reserve	Total
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	496,683,017	49,668	96,671	799	147,138
Exercise of share options (i)	11,000,000	1,100	2,690	(733)	3,057
Placement (ii)	15,000,000	1,500	3,502	-	5,002
At 30 September 2006	<u>522,683,017</u>	<u>52,268</u>	<u>102,863</u>	<u>66</u>	<u>155,197</u>

Notes:

- (i) 10,000,000 share options and 1,000,000 share options were exercised at the exercise price of HK\$0.272 per share and HK\$0.34 per share respectively, for a total consideration, before expenses, of HK\$3,060,000.
- (ii) On 4 April 2006, Sparta Assets Limited ("Sparta Assets"), a company incorporated in the British Virgin Islands with limited liability, which holds approximately 43.29% of the Company's shares, has entered into a placing agreement with Penta Investment Advisers Limited ("Penta"), a company incorporated in British Virgin Islands with limited liability. Pursuant to the placing agreement, Sparta Assets agreed to place 15,000,000 placing shares with Penta at a price of HK\$0.34 per share. On the same day, Sparta Assets entered into a share subscription agreement with the Company pursuant to which, Sparta Assets conditionally agreed to subscribe for 15,000,000 subscription shares at the same price of HK\$0.34 per share.

Share options

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

13. OPERATING LEASE COMMITMENTS

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

At 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
Within one year	10,417	10,063
In the second to fifth years, inclusive	33,172	29,884
After five years	20,656	10,370
	<u>64,245</u>	<u>50,317</u>

14. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

	2006 HK\$'000	2005 HK\$'000
Management fees received from associates (Note)	<u>388</u>	<u>552</u>
Interest income from jointly-controlled entity	<u>324</u>	<u>–</u>

Note: The management fees were charged by reference to costs incurred for services provided by the Group.

- (b) Outstanding balances with related parties:

Details of the Group's amounts with its associates as at the balance sheet date are included in the financial statements; and

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

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

15. 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, 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 report, 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.

PROSPECTS (Continued)

Property development and investment (Continued)

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.

PROSPECTS (Continued)

Property development and investment (Continued)

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.

PROSPECTS (Continued)

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

	30 September 2006 HK\$'000	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).

SHARE OPTION SCHEME

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

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

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

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

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

SHARE OPTION SCHEME (Continued)

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

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

Name or category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***
	At 1 April 2006	Exercised during the period	At 30 September 2006				At grant date of options HK\$
Directors							
Tjia Boen Sien	400,000	(400,000)	-	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27
Wang Jing Ning	1,000,000	(1,000,000)	-	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27
Keung Kwok Chueng	2,000,000	(2,000,000)	-	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27
Ong Chi King	2,000,000	(2,000,000)	-	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27
Ho Chung Tai, Raymond	400,000	-	400,000	4 March 2006	5 March 2006 to 4 March 2008	0.34	0.34
Siu Man Po	400,000	-	400,000	4 March 2006	5 March 2006 to 4 March 2008	0.34	0.34
	<u>6,200,000</u>	<u>(5,400,000)</u>	<u>800,000</u>				
Other employees, in aggregate							
	4,600,000	(4,600,000)	-	16 February 2006	17 February 2006 to 16 February 2008	0.272	0.27
	1,000,000	(1,000,000)	-	4 March 2006	5 March 2006 to 4 March 2008	0.34	0.34
	<u>5,600,000</u>	<u>(5,600,000)</u>	<u>-</u>				
Total	<u>11,800,000</u>	<u>(11,000,000)</u>	<u>800,000</u>				

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

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

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2006, the interests and short positions of the directors in the share capital and share option of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Mr. Tjia Boen Sien*	35,984,400	226,250,000	262,234,400	50.17
Mr. Wang Jing Ning	12,839,600	–	12,839,600	2.46
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Ong Chi King	1,550,000	–	1,550,000	0.30
Mr. Siu Man Po	180,000	–	180,000	0.03

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

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Share option scheme".

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 30 September 2006, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Number of underlying shares	Aggregate interest	Percentage of the Company's issued share capital
Sparta Assets	Directly beneficially owned	226,250,000	-	226,250,000	43.29
Mr. Tjia Boen Sien*	Through a controlled corporation	226,250,000	-	226,250,000	43.29
	Directly beneficially owned	35,984,400	-	35,984,400	6.88
Okabe Co. Ltd.	Directly beneficially owned	28,125,000	-	28,125,000	5.38
Penta**	Directly beneficially owned	37,100,000	35,000,000	72,100,000	13.79
Mr. John Zwaanstra***	Through a controlled corporation	37,100,000	35,000,000	72,100,000	13.79

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

** Penta entered into a convertible note subscription agreement with the Company on 4 April 2006 to subscribe for HK\$15,750,000 convertible note from the Company. The convertible notes are convertible into shares at an initial conversion price at HK\$0.45 per share. On 30 September 2006, the outstanding principal amount of the convertible notes are HK\$15,750,000.

*** Penta, a company incorporated in the British Virgin Islands and wholly owned by Mr. John Zwaanstra, is beneficially interested in 72,100,000 shares of the Company.

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

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, at 30 September 2006, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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.

CORPORATE GOVERNANCE (Continued)

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.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning, 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.

By Order of the Board

Tjia Boen Sien

Managing Director and Deputy Chairman

Hong Kong, 21 December 2006