



Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)



INTERIM REPORT 2008

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 2008, together with the comparative figures for the six months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	2008 HK\$'000	2007 HK\$'000
CONTINUING OPERATIONS			
REVENUE	3	343,461	293,976
Cost of sales		<u>(307,722)</u>	<u>(248,474)</u>
Gross profit		35,739	45,502
Other income and gains	3	7,622	11,847
Administrative expenses		(29,137)	(29,257)
Other operating income/(expenses), net		2,091	(892)
Finance costs	5	(3,219)	(3,043)
Share of profits and losses of:			
A jointly-controlled entity		(14)	(238)
Associates		299	924
PROFIT BEFORE TAX	4	13,381	24,843
Tax	6	(8,337)	(12,198)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		5,044	12,645
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	7	<u>-</u>	<u>(5,144)</u>
PROFIT FOR THE PERIOD		<u>5,044</u>	<u>7,501</u>
Attributable to:			
Equity holders of the Company		5,387	7,617
Minority interests		(343)	(116)
		<u>5,044</u>	<u>7,501</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
– For profit for the period		<u>0.94 cents</u>	<u>1.33 cents</u>
– For profit from continuing operations		<u>0.94 cents</u>	<u>2.23 cents</u>
Diluted			
– For profit for the period		<u>0.94 cents</u>	<u>1.33 cents</u>
– For profit from continuing operations		<u>0.94 cents</u>	<u>2.17 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2008

	Notes	30 September 2008 HK\$'000	31 March 2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		101,130	100,124
Investment properties	9	136,200	134,040
Prepaid land lease payments		5,788	5,857
Interest in a jointly-controlled entity		14,166	12,892
Interests in associates		7,634	8,192
Financial assets at fair value through profit or loss		2,270	2,234
		<hr/>	<hr/>
Total non-current assets		267,188	263,339
CURRENT ASSETS			
Amounts due from associates		26,196	23,620
Properties held for sale	10	440,583	418,784
Gross amount due from contract customers		37,428	7,334
Inventories		1,586	2,604
Accounts receivable	11	63,482	56,850
Prepayments, deposits and other receivables		52,903	35,870
Cash and cash equivalents		42,547	31,087
Pledged time deposits		27,352	21,465
		<hr/>	<hr/>
Total current assets		692,077	597,614
CURRENT LIABILITIES			
Gross amount due to contract customers		77,701	35,564
Accounts payable	12	57,345	32,861
Other payables and accruals		122,199	129,679
Amounts due to associates		292	547
Amounts due to minority shareholders		18,560	17,360
Amounts due to related companies		33,219	23,813
Tax payable		37,671	31,747
Interest-bearing bank borrowings		73,204	60,109
		<hr/>	<hr/>
Total current liabilities		420,191	331,680

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

30 September 2008

		30 September	31 March
	<i>Notes</i>	2008	2008
		HK\$'000	HK\$'000
NET CURRENT ASSETS		271,886	265,934
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		539,074	529,273
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Convertible notes	13	15,494	15,274
Interest-bearing bank borrowings		41,320	39,654
Deferred tax liabilities		14,277	14,247
		<hr/>	<hr/>
Total non-current liabilities		71,091	69,175
		<hr/>	<hr/>
Net assets		467,983	460,098
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	57,105	57,274
Reserves		407,137	399,040
Equity component of convertible notes		1,259	1,259
		<hr/>	<hr/>
		465,501	457,573
		<hr/>	<hr/>
Minority interests		2,482	2,525
		<hr/>	<hr/>
Total equity		467,983	460,098
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2008

	Attributable to equity holders of the Company													Minority interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Equity component of convertible notes	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
At 1 April 2007	57,268	122,563	15,262	28,841	(9,121)	9,362	10,830	1,814	1,081	1,259	3,260	172,411	414,830	1,912	416,742
Exchange realignment	-	-	-	-	-	-	3,740	-	-	-	-	-	3,740	291	4,031
Share of reserves of associates	-	-	-	-	-	-	128	289	-	-	-	-	417	-	417
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	3,868	289	-	-	-	-	4,157	291	4,448
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	7,617	7,617	(116)	7,501
Total income and expense for the period	-	-	-	-	-	-	3,868	289	-	-	-	7,617	11,774	175	11,949
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(83)	(83)
At 30 September 2007	57,268	122,563	15,262	28,841	(9,121)	9,362	14,698	2,103	1,081	1,259	3,260	180,028	426,604	2,004	428,608
At 1 April 2008	57,274	122,493	15,262	34,182	(9,121)	9,436	26,240	1,250	379	1,259	3,260	195,659	457,573	2,525	460,098
Exchange realignment	-	-	-	-	-	-	2,900	-	-	-	-	-	2,900	300	3,200
Share of reserves of associates	-	-	-	-	-	-	143	(40)	-	-	-	-	103	-	103
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	3,043	(40)	-	-	-	-	3,003	300	3,303
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	5,387	5,387	(343)	5,044
Total income and expense for the period	-	-	-	-	-	-	3,043	(40)	-	-	-	5,387	8,390	(43)	8,347
Repurchase of shares	(169)	(290)	-	-	-	169	-	-	-	-	-	(169)	(459)	-	(459)
Share repurchase expenses	-	(3)	-	-	-	-	-	-	-	-	-	-	(3)	-	(3)
At 30 September 2008	57,105	122,200*	15,262*	34,182*	(9,121)*	9,605*	29,283*	1,210*	379*	1,259	3,260*	200,877*	465,501	2,482	467,983

* These reserve accounts comprise the consolidated reserves of HK\$407,137,000 (31 March 2008: HK\$399,040,000) in the condensed consolidated balance sheet.

The 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.

The capital reserve of the Group as at 1 April 2008 and 30 September 2008 comprised goodwill arising from the acquisition of subsidiaries prior to 1 April 2002.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES	1,131	20,002
CASH FLOWS FROM INVESTING ACTIVITIES	(11,496)	10,649
CASH FLOWS FROM FINANCING ACTIVITIES	18,583	(14,687)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>8,218</u>	<u>15,964</u>
Cash and cash equivalents at beginning of period	5,153	11,306
Effect of foreign exchange rate changes, net	(2,209)	1,229
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>11,162</u></u>	<u><u>28,499</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	42,547	72,305
Bank overdrafts, secured	(31,385)	(43,806)
	<u><u>11,162</u></u>	<u><u>28,499</u></u>

NOTES TO CONDENSED 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 investments, which have been measured at fair value. These unaudited condensed financial statements should be read in conjunction with the annual accounts for the year ended 31 March 2008.

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 2008, except in relation to the following new Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and interpretations) that affect the Group and are adopted by the Group for the first time for the current period’s financial statements:

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs has no significant impact on the Group’s interim results and financial position.

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, profits/(losses) information for the Group's business segments for the six months ended 30 September 2008 and 2007.

	For the six months ended 30 September											
	Continuing operations								Discontinued operation		Consolidated	
	Construction business		Property development and investment business		Others		Total		Operation of fitness centres and trading of fitness equipment business			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:												
Sales to external customers	309,467	189,926	26,309	98,945	7,685	5,105	343,461	293,976	-	28,334	343,461	322,310
Other income and gains	3,480	897	2,308	1,851	1,289	378	7,077	3,126	-	1,026	7,077	4,152
Total	312,947	190,823	28,617	100,796	8,974	5,483	350,538	297,102	-	29,360	350,538	326,462
Segment results	5,255	(3,572)	10,020	27,367	1,698	(2,506)	16,973	21,289	-	(8,272)	16,973	13,017
Interest income and dividend income							545	8,721	-	17	545	8,738
Gain on disposal of subsidiaries							-	-	-	3,163	-	3,163
Unallocated expenses							(1,203)	(2,805)	-	-	(1,203)	(2,805)
Impairment of goodwill	-	-	-	(5)	-	-	-	(5)	-	-	-	(5)
Finance costs							(3,219)	(3,043)	-	(60)	(3,219)	(3,103)
Share of profits and losses of:												
A jointly-controlled entity	(14)	(238)	-	-	-	-	(14)	(238)	-	-	(14)	(238)
Associates	299	924	-	-	-	-	299	924	-	-	299	924
Profit/(loss) before tax							13,381	24,843	-	(5,152)	13,381	19,691
Tax							(8,337)	(12,198)	-	8	(8,337)	(12,190)
Profit/(loss) for the period							5,044	12,645	-	(5,144)	5,044	7,501

2. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

	For the six months ended 30 September											
	Continuing operations								Discontinued operation			
	Construction business		Property development and investment business		Others		Total		Operation of fitness centres and trading of fitness equipment business		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:												
Depreciation	862	1,005	459	232	1,492	1,211	2,813	2,448	-	1,457	2,813	3,905
Recognition of prepaid land lease payments	69	126	-	-	-	-	69	126	-	-	69	126
Loss/(profit) on disposal of items of property, plant and equipment	(3)	1	(7)	-	-	-	(10)	1	-	78	(10)	79
Impairment of accounts receivable	-	-	-	145	-	22	-	167	-	200	-	367
Reversal of impairment of accounts receivable	-	-	(1,107)	-	-	-	(1,107)	-	-	-	(1,107)	-
Impairment of other receivables	-	-	-	1,061	-	-	-	1,061	-	-	-	1,061
Reversal of impairment of other receivables	(908)	(518)	-	-	-	-	(908)	(518)	-	-	(908)	(518)

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments for the six months ended 30 September 2008 and 2007.

	For the six months ended 30 September					
	Hong Kong		Mainland China		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	143,594	113,731	199,867	208,579	343,461	322,310
Attributable to a discontinued operation	-	(6,170)	-	(22,164)	-	(28,334)
Revenue from continuing operations	143,594	107,561	199,867	186,415	343,461	293,976

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of gross revenue earned from construction works and the net amount of maintenance works invoiced, property development and investment business, trading of medical equipment, provision of related installation and maintenance services and an appropriate proportion of income from operation of fitness centres and trading of fitness equipment.

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

	Notes	2008 HK\$'000	2007 HK\$'000
Revenue			
Income from construction contracting and related business		309,467	189,926
Income from property development and investment business		26,309	98,945
Income from trading of medical equipment, provision of related installation and maintenance services		7,685	5,105
Attributable to continuing operations reported in the consolidated income statement		343,461	293,976
Income from operation of fitness centres and trading of fitness equipment attributable to a discontinued operation	7	-	28,334
		343,461	322,310
Other income and gains			
Bank interest income		242	1,417
Other interest income		303	494
Gross rental income		1,821	1,380
Dividend income from available-for-sale investments		-	6,810
Others		5,256	1,746
Attributable to continuing operations reported in the consolidated income statement		7,622	11,847
Other income and gains from operation of fitness centres and trading of fitness equipment attributable to a discontinued operation:			
Bank interest income	7	-	17
Others	7	-	1,026
		7,622	12,890

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting): †

	2008	2007
	HK\$'000	HK\$'000
Cost of construction contracting	293,621	180,001
Cost of properties sold	9,331	66,529
Cost of inventories sold and services provided	4,770	9,904
Depreciation	2,813	3,905
Recognition of prepaid land lease payments	69	126
Minimum lease payments under operating leases on land and buildings	1,149	4,998
Loss/(profit) on disposal of items of property, plant and equipment	(10)	79
Impairment of goodwill	–	5
Employee benefits expense (including directors' emoluments):		
Wages and salaries	15,334	24,031
Pension schemes contributions *	375	627
Less: Amount capitalised	(1,210)	(1,413)
	14,499	23,245
Directors remuneration:		
Fee	156	156
Salaries and allowances	1,787	2,104
Pension scheme contributions	47	57
	1,990	2,317

† The disclosures presented in this note include those amounts charge/credited in respect of the discontinued operation.

* At 30 September 2008, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2007: Nil).

5. FINANCE COSTS

	2008 HK\$'000	2007 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	3,957	6,552
Interest on convertible notes	536	521
Total interest expense on financial liabilities not at fair value through profit or loss	4,493	7,073
Less: Interest capitalised on properties under development	(1,274)	(3,970)
	3,219	3,103
Attributable to continuing operations reported in the consolidated income statement	3,219	3,043
Attributable to a discontinued operation (<i>note 7</i>)	–	60
	3,219	3,103

6. TAX

No Hong Kong profits tax has been provided as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong during the period or have available tax losses brought forward from prior years to offset the assessable profits generated during the period (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Land appreciation tax ("LAT") in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	2008 HK\$'000	2007 <i>HK\$'000</i>
Current – Hong Kong		
Over provision in prior periods	–	(8)
Current – Elsewhere		
Charge for the period	3,766	6,736
Underprovision in prior periods	335	–
LAT in Mainland China	4,236	5,462
Total tax charge for the period	8,337	12,190
Represented by:		
Tax credit attributable to a discontinued operation (<i>note 7</i>)	–	(8)
Tax charge attributable to continuing operations reported in the consolidated income statement	8,337	12,198
	8,337	12,190

7. DISCONTINUED OPERATION

On 27 September 2007, the Company announced the decision of its board of directors to dispose of its entire interest in Fitness Concept Limited (“FCL”) and its subsidiaries (the “Disposed Group”). The Disposed Group is engaged in the operation of fitness centres and trading of fitness equipment and is a separate business segment. The disposal of the Disposed Group was completed on 30 September 2007. As at 30 September 2008, no assets or liabilities of the Group were attributable to this discontinued operation.

The results of the Disposed Group for the prior period are presented below:

	2008 HK\$'000	2007 HK\$'000
Revenue, other income and gains (note 3)	–	29,377
Expenses	–	(37,632)
Finance costs (note 5)	–	(60)
	<hr/>	<hr/>
Loss of the discontinued operation	–	(8,315)
Gain on disposal of the Disposed Group	–	3,163
	<hr/>	<hr/>
Loss before tax from the discontinued operation	–	(5,152)
Tax (note 6)	–	8
	<hr/>	<hr/>
Loss for the period from the discontinued operation	<u>–</u>	<u>(5,144)</u>
Attributable to:		
Equity holders of the Company	–	(5,127)
Minority interests	–	(17)
	<hr/>	<hr/>
	<u>–</u>	<u>(5,144)</u>

The net cash flows incurred by the Disposed Group are as follows:

	2008 HK\$'000	2007 HK\$'000
Operating activities	–	(2,205)
Investing activities	–	(1,136)
Financing activities	–	2,753
	<hr/>	<hr/>
Net cash outflow	<u>–</u>	<u>(588)</u>
Loss per share:		
Basic, from the discontinued operation	N/A	(0.90 cents)
Diluted, from the discontinued operation	N/A	(0.84 cents)
	<hr/>	<hr/>

7. DISCONTINUED OPERATION (CONTINUED)

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2008	2007
Loss attributable to ordinary equity holders of the Company from the discontinued operation	N/A	HK\$5,127,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	N/A	572,683,017
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>N/A</u>	<u>607,959,940</u>

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

The calculation of basic earnings per share amounts is based on the 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, as adjusted to reflect the share repurchase during the period ended 30 September 2008.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of 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:

	2008 HK\$'000	2007 HK\$'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	5,387	12,744
From a discontinued operation	–	(5,127)
	<u>5,387</u>	<u>7,617</u>
Interest on convertible notes	536	521
	<u>5,923</u>	<u>8,138</u>
Profit attributable to ordinary equity holders of the Company before interest on convertible notes	<u>5,923</u>	<u>8,138</u>
Attributable to:		
Continuing operations	5,923	13,265
Discontinued operation	–	(5,127)
	<u>5,923</u>	<u>8,138</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (CONTINUED)

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	572,429,848	572,683,017
Effect of dilution-weighted average number of ordinary shares:		
Share options	–	276,923
Convertible notes	<u>35,000,000</u>	<u>35,000,000</u>
	<u>607,429,848*</u>	<u>607,959,940</u>

* Because the diluted earnings per share amount is increased when taking convertible notes and share options into account, the convertible notes and share options had anti-dilutive effects on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$5,387,000 and the weighted average of 572,429,848 ordinary shares.

9. INVESTMENT PROPERTIES

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Carrying amount at 1 April	134,040	80,106
Additions	–	49,561
Exchange realignment	<u>2,160</u>	<u>4,373</u>
Carrying amount at 30 September/31 March	<u>136,200</u>	<u>134,040</u>

The investment properties of the Group are held under long term leases and are situated in Mainland China.

The Group's investment properties were revalued on 31 March 2008 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK\$134,040,000 on an open market, existing use basis.

The investment properties were leased to an independent third party under an operating lease.

At 30 September 2008, the investment properties of the Group with a value of HK\$136,200,000 (31 March 2008: HK\$134,040,000) were pledged to secure certain banking facilities granted to the Group.

10. PROPERTIES HELD FOR SALE

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Completed properties	190,510	199,358
Properties under development	250,073	219,426
	<u>440,583</u>	<u>418,784</u>

11. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction works carried out by the Group, the due dates are usually one year after the completion of the construction works. 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 the accounts receivable as at the balance sheet date, based on the invoice date and net of provision, is as follows:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Current to 90 days	28,098	25,636
91 to 180 days	4,464	7,061
181 to 360 days	10,712	5,797
Over 360 days	14,711	13,727
	57,985	52,221
Retention money receivables	5,497	4,629
Total	<u>63,482</u>	<u>56,850</u>

12. ACCOUNTS PAYABLE

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

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Current to 90 days	45,345	25,544
91 to 180 days	1,077	2
181 to 360 days	3,964	1,043
Over 360 days	6,959	6,272
	<u>57,345</u>	<u>32,861</u>

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

13. CONVERTIBLE NOTES

On 24 April 2006, the Company issued 4% convertible notes with a total nominal value of HK\$15,750,000. There was no movement in the number of convertible notes during the period. These 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%. These notes are 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 7% 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.

The convertible notes have been split as to the liability and equity components, as follows:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Nominal value of convertible notes issued	15,750	15,750
Equity component	(1,259)	(1,259)
Liability component at the issuance date	14,491	14,491
Interest expense	2,541	2,005
Interest paid	(1,538)	(1,222)
Liability component at 30 September/31 March	<u>15,494</u>	<u>15,274</u>

14. SHARE CAPITAL

Shares

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Authorised:		
1,500,000,000 (31 March 2008: 1,500,000,000) ordinary shares of HK\$0.10 each	150,000	150,000
Issued and fully paid:		
571,053,017 (31 March 2008: 572,738,017) ordinary shares of HK\$0.10 each	57,105	57,274

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

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2008	572,738,017	57,274	122,493	179,767
Repurchase of shares (<i>Note</i>)	(1,685,000)	(169)	(290)	(459)
	<u>571,053,017</u>	<u>57,105</u>	<u>122,203</u>	<u>179,308</u>
Share repurchase expenses	–	–	(3)	(3)
At 30 September 2008	<u>571,053,017</u>	<u>57,105</u>	<u>122,200</u>	<u>179,305</u>

Note:

During the period, the Company repurchased a total of 1,685,000 of its own shares on the Stock Exchange at prices ranging from HK\$0.248 to HK\$0.32 per share, for a total consideration, before expenses, of HK\$459,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$169,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$290,000 paid for the repurchased shares and the share repurchase expenses of HK\$3,000 were charged against the share premium account.

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".

15. OPERATING LEASE COMMITMENTS

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

At 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2008	31 March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,424	758
In the second to fifth years, inclusive	6,675	2,248
After five years	11,322	3,501
	<u>19,421</u>	<u>6,507</u>

16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	<i>Notes</i>	2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
Management fees received from associates	<i>(i)</i>	414	392
Management fees received from a related company	<i>(i)</i>	120	–
Management paid to a related company	<i>(i)</i>	(90)	–
Interest income from a jointly-controlled entity	<i>(ii)</i>	225	263
Rental income from a related company	<i>(iii)</i>	1,294	–
		<u>1,294</u>	<u>–</u>

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Note:

- (i) The management fees were charged by reference to actual costs incurred for the services provided by the Group.
 - (ii) The interest income from a jointly-controlled entity was charged at the prime rate plus 1% per annum on an amount due from it of HK\$7,178,000 (31 March 2008: HK\$7,178,000).
 - (iii) The rental income was charged to FCL and its subsidiary at HK\$45,000 and RMB150,000 per month respectively. Mr. Tjia Boen Sien is a director of and has beneficial interest in the Company and FCL while Mr. Keung Kwok Cheung is a director of the Company and FCL.
- (b) Outstanding balances with related parties:
- Details of the Group's balances with its jointly-controlled entity, associates, minority shareholders and related companies 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.

17. COMPARATIVE AMOUNTS

Due to the adoption of the new and revised HKFRSs during the current period, certain comparative amounts have been adjusted to conform with the current period's presentation and to show separately comparative amounts in respect of items disclosed for the first time in 2008. In addition, the comparative income statement has been re-represented as if the operation discontinued during the last period had been discontinued at the beginning of the comparative period (note 7).

DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the six months ended 30 September 2008 was HK\$343,461,000 which represented an increase of 17% as compared with the same period last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$5,387,000 representing a decrease of 29% as compared with the same period last year. Earning per share is approximately HK0.94 cents.

The Group's major business segment during the six months ended 30 September 2008 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) trading of medical equipment, provision of related installation and maintenance services.

During the period, the Group completed projects such as the renovation of external wall finishing of Saint Joseph's Catholic Church, Hong Kong, building services installation for the construction of primary schools in Yuen Long and Shamshuipo, Hong Kong, replacement of sewage pump sets for Western Wholesale Food Market, Hong Kong. In current period, the Group continued the growth in last year and generated HK\$309 million sales from this segment, such growth can be shown by the 63% increase in the segment sales as compared to that of last period.

More to note, during the period, the Group sold certain units in Phase I of Asian Villas City Square, Haikou, Hainan Province, and certain service apartments in Parkview Garden, Shanghai, which contributed a meaningful profit to the Group. Since Phase IV of Asian Villas City Square and the property development in Kaifeng, PRC have not yet complete, the Group is only selling the remaining units in Hainan and Shanghai, so the turnover and segment results contributed from this segment dropped by 73% and 63% respectively as compared to same period last year. In September 2007, Asian Villas City Square was awarded one of the "Top 100 Best Property in China for year 2007 (third anniversary)". In May 2008, the Company was awarded one of the "Top 500 Most Influential Property Development Enterprise in China" for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review (Continued)

On 25 September 2007, the Group entered into a sales and purchase agreement with Ideal Choice Holdings Limited, a company wholly owned by Mr. Tjia Boen Sien (“Mr. Tjia”), the Managing Director and Deputy Chairman and a substantial shareholder of the Company, in relation to the disposal of 100% interest in Fitness Concept Limited and the related shareholder’s loan, at a total consideration of HK\$6,000,000. Fitness Concept Limited and its’ subsidiaries are principally engaged in the operation of fitness club and trading of fitness equipment business. Before the disposal, the fitness centre operation and fitness equipment trading business generated turnover in the amount of HK\$28 million to the Group during the same period last year. The disposal was completed on 30 September 2007, as such, no turnover is generated from this segment in this period.

In last period, the Group also enjoyed contribution from an available for sale investment – Gain Huge Limited, which the Group hold 10% shareholding interest, this company is principally engaged in property development in Hong Kong. The Group received HK\$6.8 million dividend income derived from this available for sale investment after the disposal of land interests, no such dividend is received in current period.

FINANCIAL REVIEW

Turnover

During the period, the Group’s turnover from continuing operations surged to HK\$343 million, increased by 17% as compared to the same period last year, and is the highest turnover in history. The impetus behind such notable growth can largely be traced to our effective efforts to expand our customer base in the construction and contracting segment. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$309 million, HK\$26 million, HK\$8 million respectively, which represent an increase by 63%, a decrease by 73% and an increase by 51% respectively as compared to last period. For the fitness centre operation and fitness equipment trading business, since the Group had disposed of its’ 100% interest in Fitness Concept Limited on 30 September 2007, as a result, there is no turnover generated from this business in current period.

Gross profit margin

During the period under review, the Group’s gross profit margin from the continuing operations was approximately 10%, down by 5% as compared to same period last year’s 15%, which is the dilution effect from the 63% increase in segment turnover from construction contracting business, where its’ turnover represents 90% of the total turnover from the continuing operations and historically the gross profit margin from this segment is comparatively low at 5%.

FINANCIAL REVIEW (CONTINUED)

Liquidity and financial resources

As at 30 September 2008, the Group have total assets of HK\$959,265,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$491,282,000, HK\$465,501,000 and HK\$2,482,000 respectively. The Group's current ratio at 30 September 2008 is 1.65 compared to 1.80 at 31 March 2008.

The gearing ratio for the Group is 13% (31 March 2008: 13%). It was calculated based on the long term borrowings of HK\$71,091,000 (31 March 2008: HK\$69,175,000) and long term capital of HK\$539,074,000 (31 March 2008: HK\$529,273,000).

Capital expenditure

Total capital expenditure for the period was approximately HK\$3 million, which are mainly used in the purchase of equipment for the property investment business in PRC.

Contingent liabilities

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

Commitments

The Group had no material capital commitments as at 30 September 2008 (31 March 2008: Nil).

Charges on group assets

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong and Mainland China of HK\$82,924,000 (31 March 2008: HK\$83,880,000);
- (ii) the pledge of the Group's leasehold lands situated in Hong Kong of HK\$5,927,000 (31 March 2008: HK\$5,996,000);
- (iii) the pledge of the Group's time deposits of HK\$27,352,000 (31 March 2008: HK\$21,465,000);
- (iv) the pledge of the Group's investment properties situated in Mainland China of HK\$136,200,000 (31 March 2008: HK\$134,040,000); and
- (v) the pledge of the Group's financial assets at fair value through profit and loss of HK\$1,135,000 (31 March 2008: HK\$1,117,000).

FINANCIAL REVIEW (CONTINUED)

Treasury policies

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development projects in Kaifeng and Huizhou, PRC, the Group will take consideration on the Renminbi fund planning to adequately finance these projects. Interest for the current 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.

Exchange risk exposure

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Some of the Group's businesses are based in the PRC, although there is mild fluctuation in RMB, however, the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

PROSPECT

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 HKSAR" to "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau 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 foundation work of a industrial building and ancillary office at Fanling, Hong Kong, overhaul and renovation of New Plasma Laboratory and 80-seater Classrooms at City University of Hong Kong, design, supply and installation of fine screen and replacement of fine screen of preliminary treatment works at North Point and Central, Hong Kong, renovation for a condominium's club house in Beijing, PRC, renovation for a hotel in Beijing, PRC were granted. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK\$954 million.

PROSPECT (CONTINUED)

Property development and investment

Asian Villas City Square, Haikou, Hainan Province is developing 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, Phase I, II and III were completed and Phase IV are under construction. It is expected the whole development will be completed by the second quarter of 2009. Up to the date of this report, the total sales contract sum achieved amounted to approximately HK\$232 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 Kaifeng. The Directors intend to develop a commercial complex on the site with an estimated gross floor area of approximately 177,000 sq. metres. Up to now, a portion of the land had completed removal and commenced construction, and the remaining of the land is at the removal and demolish stage, processing smoothly, and it is expected the removal and demolish will be completed by the first quarter of 2009. In April 2007, the Group was granted another land use rights of a development site adjacent to the original site in Long Ting District, with gross floor area of approximately 25,000 sq. metres, the Directors intend to develop this additional site together with the original site.

On 2 November 2006, the Group obtained the land use rights of a development site in Huidong province of PRC. The Directors intend 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.

The Group purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary in prior year. The hotel has a gross floor area of 20,668 square metres. Up to the date of this report, the hotel is leased out to generate recurring rental income. In view of the great potential which Hainan Province has as an upscale tourist destination, the Directors consider the growth prospects to be promising.

Due to the global financial crisis, the PRC government has started to loosen the macro-economic tightening measures, the Directors believe that the looseness will have a positive impact on the property market in PRC. The Group will continue to place emphasis on strengthening the property development and investment business, and may acquire additional land bank to richen its land reserve, specifically in the second and third tier cities in PRC which the market trend and growth potential is consistently increasing, however, the Group has no specific investment plan in relation to any particular project currently.

Noteworthy is the fact that Directors believe the hosting of the World Expo in Shanghai, PRC in 2010 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.

PROSPECT (CONTINUED)

Trading of medical equipment

With rising affluence especially in Hong Kong and the major cities in PRC, the consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipments, and our effort in trading of medical equipment should continue to pay off in terms of sales growth and market penetration in PRC. In the coming year, we will expand our distribution channels and introducing a broader range of products to spur sales growth.

Although the Group's operational performance in the first half of the year are satisfactory, however, the financial turmoil triggered by the sub prime crisis has surfaced in the United States and have radiated to PRC and other parts of the world, it has brought hardship on various industries, including our business. The outlook for the remaining of the financial year is difficult to gauge with any degree of precision at the present time. In this respect, the Directors will adopt various defensive measures to overcome this special economic downturn, such as accelerate the selling of completed properties for sales, hold over the undeveloped property development project, cautious management review over the credit amount granted to customers, divert additional resources to maintain the recoverability of trade receivables, apply stringent inventory policies simultaneously with the strategies of promoting cost effectiveness and operation efficiency.

Given the above and the extensive experiences and resources in the construction contracting business and property development business, our management's proven ability in identifying and capturing business opportunities, the Directors are confident that the Group will navigate through these difficult times while preserving our ability to rebound when the global economic climate returns to normal conditions.

HUMAN RESOURCES

As at 30 September 2008, the Group has 122 employees, 19 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the period under review amounted to HK\$16 million as compared to HK\$25 million in last period. The discontinuance of the operation of fitness centre and trading of fitness equipment business has led to the decrease in number of staff and the total employee benefits expenses in the period under review as compared to last period.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Company offers discretionary bonus and share options to staff based on the individual performance and the achievements of the Company's targets.

CONTINUING CONNECTED TRANSACTIONS

On 19 March 2008, the Group has entered into two tenancy agreements with 上海美格菲健身中心有限公司 and Fitness Concept Limited, companies owned as to 99.4% and 100% respectively by Mr. Tjia, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of two properties of the Group at Sichuan, PRC and Hong Kong. The two tenancy agreements are contracted for three years commencing 1 April 2008, and the monthly rent payable are RMB150,000 and HK\$45,500 respectively. The rental income earned during the period amounted to HK\$1,294,000.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 46.75% equity interest in the Company at that time, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules. The transaction therefore constitutes a connected transaction of the Company. As each of the applicable percentage ratios of the transaction was more than 2.5% but less than 25% and the total consideration involved was less than HK\$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the transaction was exempted from the independent shareholders' approval requirement and was only subject to the reporting and disclosure requirements of the Listing Rules. The transaction also constituted a discloseable transaction for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that this continuing connected transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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.

SHARE OPTION SCHEME (CONTINUED)

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.

The exercise price of the share options is determinable by the directors, but may not be less than the highest 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.

Share options do not confer rights on the holders to dividends or to vote at the shareholders' meetings.

SHARE OPTION SCHEME (CONTINUED)

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	Price of the Company's shares***	
	At 1 April 2008	Lapsed during the period	At 30 September 2008			Exercise price of share options** HK\$ per share	At grant date of share options HK\$ per share
Directors							
Ho Chung Tai, Raymond	150,000	-	150,000	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Siu Man Po	150,000	-	150,000	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Tjia Boen Sien	500,000	-	500,000	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Wang Jing Ning	1,000,000	-	1,000,000	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Keung Kwok Cheung	2,500,000	-	2,500,000	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
Ong Chi King****	5,000,000	(5,000,000)	-	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
	<u>9,300,000</u>	<u>(5,000,000)</u>	<u>4,300,000</u>				
Other employees, in aggregate	17,900,000	-	17,900,000	29 January 2008	11 February 2008 to 10 February 2009	0.4	0.34
	<u>17,900,000</u>	<u>-</u>	<u>17,900,000</u>				
	<u><u>27,200,000</u></u>	<u><u>(5,000,000)</u></u>	<u><u>22,200,000</u></u>				

* The vesting period of the share options is from the date of 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 grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

**** Mr. Ong Chi King resigned as a director of the Company on 27 June 2008. All outstanding share option held by him lapsed on the same date in accordance with the Scheme.

SHARE OPTION SCHEME (CONTINUED)

At the balance sheet date, the Company had 22,200,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 22,200,000 additional ordinary shares of the Company, representing approximately 3.9 % of the Company's shares in issue as at the balance sheet date, and additional share capital of HK\$2,220,000 and share premium of HK\$6,660,000 (before issue expenses).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, 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 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*	42,009,400	226,250,000	268,259,400	46.98
Mr. Wang Jing Ning	12,839,600	–	12,839,600	2.25
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Siu Man Po	180,000	–	180,000	0.03

* Sparta Assets Limited ("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 in 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' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors interests and short positions in shares and underlying shares" above and in the section headed "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 SHARE AND UNDERLYING SHARES

At 30 September 2008, 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 (under equity derivatives of the Company)	Aggregate interest	Percentage of the Company's issued share capital
Sparta Assets (Note 1)	Beneficial Owner	226,250,000	-	226,250,000	39.62
Mr. Tjia Boen Sien	Interests of controlled corporation	226,250,000	-	226,250,000	39.62
	Directly beneficially own	42,009,400	-	42,009,400	7.36
Penta Investment Advisers Limited ("Penta")	Investment manager	97,260,000	35,000,000	132,260,000	23.16
Mr. John Zwaanstra (Note 2)	Interests of controlled corporation	97,260,000	35,000,000	132,260,000	23.16
Penta Japan Fund, Ltd. ("Penta Japan")	Interests of controlled corporation	66,897,000	23,333,333	90,230,333	15.80
Mr. Todd Zwaanstra (Note 3)	Trustee (other than a bare trustee)	66,897,000	23,333,333	90,230,333	15.80
Mercurius GP LLC ("Mercurius") (Note 4)	Founder of a discretionary trust	66,897,000	23,333,333	90,230,333	15.80

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARE AND UNDERLYING SHARES (CONTINUED)

Note:

1. 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.
2. Mr. John Zwaanstra has declared the interest and derivative interest in the same shares in which Penta has declared the same interests as Penta is his controlled corporation.
3. Mr. Todd Zwaanstra has declared the interest and derivative interest in the same shares in which Penta Japan has declared the same interests pursuant to his capacity as trustee of the Mercurius Partners Trust and as Penta Japan is his controlled corporation.
4. Mercurius has declared the interest and derivative interest in the same shares in which Penta Japan has declared the same interests in its capacity as founder of Mercurius Partners Trust.

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 2008, 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

During the period, the Company repurchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
August 2008	590,000	0.320	0.260	167
September 2008	1,095,000	0.275	0.248	292
	<u>1,685,000</u>			<u>459</u>

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES (CONTINUED)

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$169,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$290,000 paid on the repurchased shares and share repurchase expenses of HK\$3,000 were charged against the share premium account.

The purchase of the Company's shares during the period was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, 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 2008, the Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. The Directors consider that the Company has complied with most of the Code Provisions throughout the six months ended 30 September 2008, save for the deviation from the Code Provision A4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of deviation of the CG 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 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 CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 2008.

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 CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management and financial reporting system including the review of the interim results for the six months ended 30 September 2008. The audit committee comprises the three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) 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 CG Code for the purpose of reviewing the remuneration policy and fixing the remuneration packages for all Directors and chief executives. 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 and Mr. Keung Kwok Cheung, 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, 18 December 2008.