

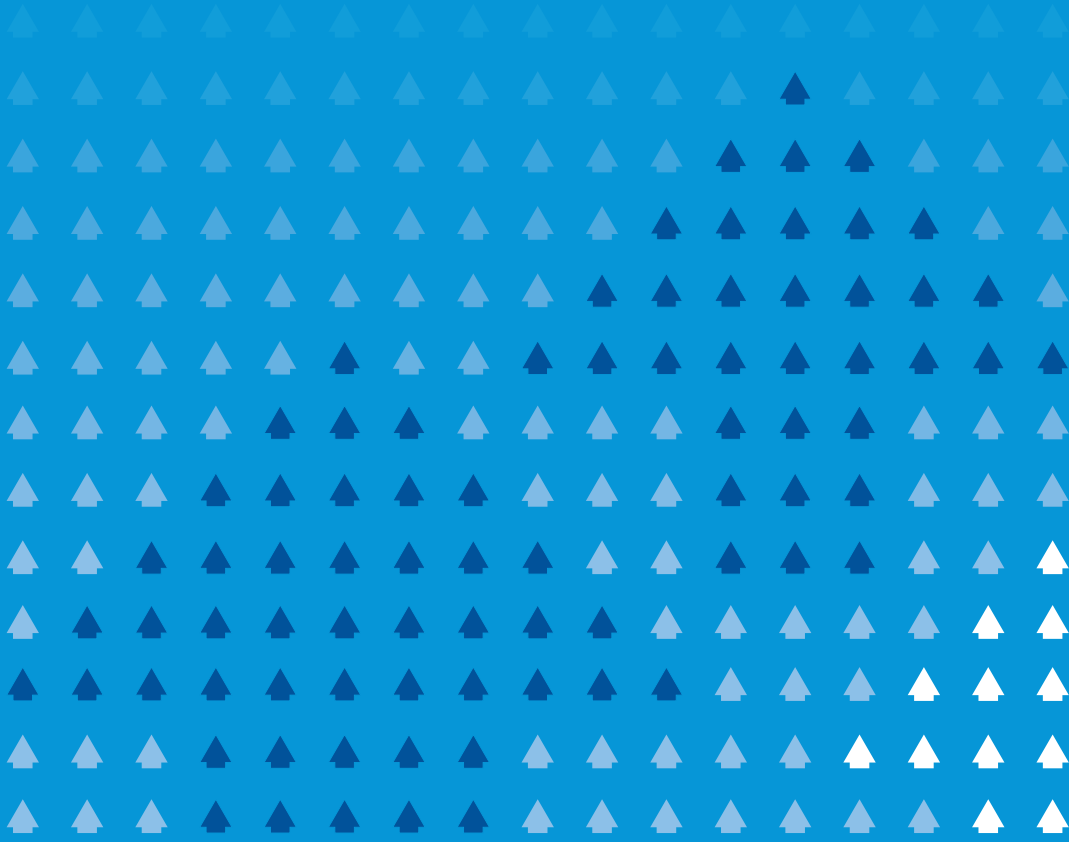
# New Times Group Holdings Limited

新時代集團控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 166

## Interim Report 2006



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

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 September 2006 (unaudited) \$'000	Six months ended 30 September 2005 (unaudited) \$'000
Turnover	(3)	<u>2,817</u>	<u>2,527</u>
Gross profit		<b>2,817</b>	2,527
Other revenue and gain		<b>280</b>	920
Administrative expenses		<b>(2,733)</b>	(3,398)
Other operating expenses		<u><b>(96)</b></u>	<u>(1,413)</u>
Profit/(Loss) from operations		<b>268</b>	(1,364)
Finance costs	(5)	<u><b>(536)</b></u>	<u>(344)</u>
Loss before taxation	(4)	<b>(268)</b>	(1,708)
Income tax expense	(6)	<u><b>(646)</b></u>	<u>(215)</u>
Net loss for the period attributable to shareholders		<u><u><b>(914)</b></u></u>	<u><u>(1,923)</u></u>
Earning/Loss per share			
– Basic	(8)	<u><u><b>(0.2 cents)</b></u></u>	<u><u>(0.4 cents)</u></u>
– Diluted		<u><u><b>N/A</b></u></u>	<u><u>N/A</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 September 2006

(Expressed in Hong Kong dollars)

	Notes	<b>30 September 2006 (Unaudited)</b> \$'000	31 March 2006 (Audited) \$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>6</b>	93
Investment properties		<b>75,812</b>	75,812
Leasehold land		<b>37,174</b>	37,692
Goodwill		<b>16,723</b>	16,723
		<b>129,715</b>	130,320
<b>CURRENT ASSETS</b>			
Loan receivable, unsecured	(10)	<b>12,642</b>	12,642
Properties held for/under development for sale		<b>19,816</b>	16,844
Trade receivables	(9)	<b>6,218</b>	3,855
Financial assets at fair value through profit or loss		<b>396</b>	1,315
Prepayments, other deposits and receivables		<b>22,314</b>	17,720
Cash and bank balances		<b>3,808</b>	1,724
		<b>65,194</b>	54,100
<b>CURRENT LIABILITIES</b>			
Bank loan	(11)	<b>9,658</b>	9,658
Other borrowing	(11)	<b>–</b>	1,501
Deposits received		<b>31,049</b>	22,497
Finance lease payables		<b>–</b>	92
Other payables and accrued liabilities		<b>13,324</b>	14,413
Tax payable		<b>2,081</b>	1,441
		<b>56,112</b>	49,602
<b>NET CURRENT ASSETS</b>		<b>9,082</b>	4,498
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>138,797</b>	134,818

	<i>Notes</i>	<b>30 September 2006 (Unaudited) \$'000</b>	31 March 2006 (Audited) \$'000
<b>NON CURRENT LIABILITY</b>			
Finance lease payables		–	107
Deferred income tax		<b>1,286</b>	1,286
		<b>1,286</b>	1,393
		<b>137,511</b>	133,425
<b>CAPITAL AND RESERVES</b>			
Share capital	(12)	<b>46,361</b>	43,330
Reserves		<b>91,150</b>	90,095
		<b>137,511</b>	133,425

**CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY***For the six months ended 30 September 2006**(Expressed in Hong Kong dollars)*

	<b>Issued share capital (unaudited) \$'000</b>	<b>Share premium account (unaudited) \$'000</b>	<b>Capital reserve (unaudited) \$'000</b>	<b>Exchange fluctuation reserve (unaudited) \$'000</b>	<b>Retained profits (unaudited) \$'000</b>	<b>Total (unaudited) \$'000</b>
Balance at 1 April 2005 as previously reported – as restated	43,330	94,471	9,585	–	(11,909)	135,477
Net loss for the period	–	–	–	–	(1,923)	(1,923)
At 30 September 2005 – as restated	43,330	94,471	9,585	–	(13,832)	133,554
Exchange difference arising from translation of financial statement of overseas operation	–	–	–	840	–	840
Net loss for the period	–	–	–	–	(969)	(969)
At 31 March 2006	43,330	94,471	9,585	840	(14,801)	133,425
Issue of shares – exercise of rights attached to convertible bonds	3,031	1,969	–	–	–	5,000
Net loss for the period	–	–	–	–	(914)	(914)
At 30 September 2006	<u>46,361</u>	<u>96,440</u>	<u>9,585</u>	<u>840</u>	<u>(15,715)</u>	<u>137,511</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2006**(Expressed in Hong Kong dollars)*

	<b>Six months ended 30 September 2006 (unaudited) \$'000</b>	Six months ended 30 September 2005 (unaudited) \$'000
Net cash used in operating activities	<u><b>(856)</b></u>	<u>(9,290)</u>
	<b>(856)</b>	(9,290)
Net cash used in investing activities	<b>195</b>	–
Net cash from/used in financing activities	<u><b>2,764</b></u>	<u>9,221</u>
Decrease in cash and cash equivalents	<b>2,103</b>	(69)
Effect of foreign exchange rate changes	<b>(19)</b>	35
Cash and cash equivalents at beginning of period	<u><b>1,724</b></u>	<u>2,583</u>
Cash and cash equivalents at end of period,	<u><b>3,808</b></u>	<u>2,549</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><b>3,808</b></u>	<u>2,549</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*(Expressed in Hong Kong dollars)*

### 1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and are in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair value, as appropriate.

The accounting policies used in preparation of the unaudited condensed consolidated financial statements are consistent with those used in preparation of the annual financial statements for the year ended 31 March 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for accounting periods beginning on or after 1 January 2006. The adoption of these new HKFRSs had no material effect on how the result of the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment has been required.

### 3. PRINCIPAL ACTIVITIES AND 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.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations

- (a) property investment;
- (b) provision of financial services;

Discontinued operations

- (c) trading of precision components processing equipment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

## a. Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Property investment		Financial services		Discontinued operation		Consolidated	
	Six months ended 30 September 2006 (Unaudited) \$'000	Six months ended 30 September 2005 (Unaudited) \$'000	Six months ended 30 September 2006 (Unaudited) \$'000	Six months ended 30 September 2005 (Unaudited) \$'000	Six months ended 30 September 2006 (Unaudited) \$'000	Six months ended 30 September 2005 (Unaudited) \$'000	Six months ended 30 September 2006 (Unaudited) \$'000	Six months ended 30 September 2005 (Unaudited) \$'000
<b>Segment revenue</b>								
Sales and services to external customer	<u>2,310</u>	<u>2,145</u>	<u>507</u>	<u>382</u>	<u>-</u>	<u>-</u>	<u>2,817</u>	<u>2,527</u>
Segment result	<u>1,920</u>	<u>1,823</u>	<u>342</u>	<u>382</u>	<u>-</u>	<u>-</u>	<u>2,262</u>	<u>2,205</u>
Unallocated revenue							<u>176</u>	<u>920</u>
Unallocated expenses							<u>(2,170)</u>	<u>(4,489)</u>
Operating profit/(loss)							<u>268</u>	<u>(1,364)</u>
Finance costs							<u>(536)</u>	<u>(344)</u>
Loss before taxation							<u>(268)</u>	<u>(1,708)</u>
Income tax expenses							<u>(646)</u>	<u>(215)</u>
Net loss for the period attributable to shareholders							<u>(914)</u>	<u>(1,923)</u>
	<b>As at 30 September 2006 (Unaudited) \$'000</b>	As at 31 March 2006 (Audited) \$'000	<b>As at 30 September 2006 (Unaudited) \$'000</b>	As at 31 March 2006 (Audited) \$'000	<b>As at 30 September 2006 (Unaudited) \$'000</b>	As at 31 March 2006 (Audited) \$'000	<b>As at 30 September 2006 (Unaudited) \$'000</b>	As at 31 March 2006 (Audited) \$'000
<b>Segment assets</b>	<u>159,775</u>	<u>150,352</u>	<u>14,935</u>	<u>15,543</u>	<u>1</u>	<u>1</u>	<u>174,711</u>	<u>165,896</u>
Unallocated assets							<u>20,198</u>	<u>18,524</u>
Total assets							<u>194,909</u>	<u>184,420</u>
<b>Segment liabilities</b>	<u>52,578</u>	<u>43,299</u>	<u>1,902</u>	<u>2,863</u>	<u>-</u>	<u>-</u>	<u>54,480</u>	<u>46,162</u>
Un-allocated liabilities							<u>2,918</u>	<u>4,833</u>
Total liabilities							<u>57,398</u>	<u>50,995</u>



## b. Geographical segment

The following tables present revenue for the Group's geographical segments.

	Hong Kong		Mainland China		Consolidated	
	Six months ended 30 September 2006 (Unaudited) \$'000	Six months ended 30 September 2005 (Unaudited) \$'000	Six months ended 30 September 2006 (Unaudited) \$'000	Six months ended 30 September 2005 (Unaudited) \$'000	Six months ended 30 September 2006 (Unaudited) \$'000	Six months ended 30 September 2005 (Unaudited) \$'000
Segment revenues:						
Sales and services to external customers	507	382	2,310	2,145	2,817	2,527
Other revenue	261	919	19	1	280	920
Total	<u>768</u>	<u>1,301</u>	<u>2,329</u>	<u>2,146</u>	<u>3,097</u>	<u>3,447</u>

## 4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and crediting the following:

	Six months ended 30 September 2006 (Unaudited) \$'000	Six months ended 30 September 2005 (Unaudited) \$'000
After charging –		
Depreciation	552	486
Amortization of goodwill	–	–
Staff cost (including directors' emoluments)	518	1,201
Operating lease rentals for rented premises	<u>481</u>	<u>497</u>
After crediting –		
Interest income from		
– bank deposits	3	2
– other loans	<u>541</u>	<u>382</u>

**5. FINANCE COSTS**

	<b>Six months ended 30 September 2006 (Unaudited) \$'000</b>	Six months ended 30 September 2005 (Unaudited) \$'000
Group:		
Interest on		
Bank borrowings wholly repayable within 1 year	<b>376</b>	157
Current-Elsewhere	<b>11</b>	8
Others	<b>149</b>	179
	<hr/> <b>536</b> <hr/>	<hr/> 344 <hr/>

**6. TAXATION**

No Hong Kong profit tax had been provided during the period ended 30 September 2006 as the Company, its subsidiaries, associate and jointly-controlled entry had no assessable profit arising in Hong Kong during the period. Tax charge represents the under-provision of Hong Kong profit tax in prior year.

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, practices and interpretations in respect thereof.

	<b>Six months ended 30 September 2006 (Unaudited) \$'000</b>	Six months ended 30 September 2005 (Unaudited) \$'000
Current tax		
Hong Kong	<b>6</b>	–
Elsewhere	<b>640</b>	215
	<hr/> <b>646</b> <hr/>	<hr/> 215 <hr/>
Total tax charge for the year		

**7. DIVIDENDS**

No dividend was paid during the period. The Directors do not recommend any payment of interim dividend for the six months ended 30 September 2006 (30 September 2005: nil).

**8. LOSS PER SHARE**

The calculation of basic loss per share was based on the unaudited consolidated loss attributable to shareholders of \$914,000 (30 September 2005 – loss \$1,923,000) and the weighted average number of ordinary shares of 459,067,855 (30 September 2005 – 433,302,000) during the period.

Diluted loss per share for the six months ended 30 September 2006 and 2005 have not been calculated because no potential dilutive ordinary shares existed during these periods.

**9. TRADE RECEIVABLES**

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 90 days to its customers and seeks to maintain strict control over its outstanding receivables. The following is an aging analysis of trade receivables, based on the invoice date.

	<b>As at 30 September 2006 (Unaudited) \$'000</b>	As at 31 March 2006 (Audited) \$'000
Less than 90 days	<b>1,250</b>	1,151
91-180 days	<b>1,162</b>	1,238
Over 181 days	<b>3,806</b>	1,466
	<b><u>6,218</u></b>	<u>3,855</u>

**10. LOAN RECEIVABLES**

The loan receivables of \$12,642,000 (31 March 2006: \$12,642,000) bear interest at the Hong Kong dollar prime rate per annum and repayable within one year from the dates on which the loans are granted.

**11. BANK LOAN AND OTHER BORROWING**

During the period, bank loan of approximately \$9,658,000 (31 March 2006: \$9,658,000) was due for payment on 7 June 2006. Pursuant to a supplementary loan agreement dated 29 June 2006, the repayment date was extended to 1 April 2007. The secured bank loan bears interest at 7.839% per annum and is secured by the leasehold land of the Group in Mainland China with a carrying value of approximately \$37,174,000.

During the period, the unsecured other borrowing of \$1,501,000 (31 March 2006: \$1,501,000) bearing of 18% per annum has been fully settled.

**12. SHARE CAPITAL**

	Authorised		Issued and fully paid	
	Number of shares '000	Amount \$'000	Number of shares '000	Amount \$'000
Ordinary shares of \$0.10 each				
At 31 March 2006	900,000	90,000	433,302	43,330
Exercise of conversion rights attached to convertible notes	—	—	30,303	3,031
At 30 September 2006	<u>900,000</u>	<u>90,000</u>	<u>463,605</u>	<u>46,361</u>

On 7 April 2006, the Company issued convertible notes, bearing interest at 2% per annum, in an aggregate principal amount of \$5,000,000 to an independent third party (the "Subscriber") pursuant to the subscription agreement dated 30 March 2006. The Subscriber has the right to convert the whole integral multiple of \$1,000,000 of the principal amount of the convertible notes into shares at anytime before maturity date falling on the second anniversary of the date issue the convertible notes at a conversion price of \$0.165 per ordinary share (subject to adjustment). During the period, the Subscriber exercised the conversion rights attached to the convertible notes in the amount of \$5,000,000. As a result, the Company issued 30,303,030 new shares of \$0.10 each. All the new shares rank pari passu in all respects with the then existing shares.

**13. RELATED PARTY TRANSACTIONS**

There is no transaction with related parties during the period.

**14. CAPITAL COMMITMENTS**

The Group had the following authorized and contracted capital commitments:

	<b>As at 30 September 2006 (Unaudited) \$'000</b>	As at 31 March 2006 (Audited) \$'000
Contracted but not provided for		
– Contraction cost of properties under development*	<u><b>51,569</b></u>	<u>54,488</u>

\* Pursuant to the contractual arrangement with the constructor of the land, the constructor will recover the construction cost out of the net proceeds from the sale or rental generated from the properties constructed on the land in 18-months period from completion of the construction of the properties on the land. In the event that the net proceeds from sale or rental generated over the aforesaid period is insufficient to repay the constructor the full amount of the construction cost, the shortfall would be satisfied by the transfer of certain properties on the land with an equivalent market value (calculated on the basis of the then prevailing market price of those properties) to the constructor in full and final settlement of any liability of the Group towards the constructor in valuation to the construction cost.

## MANAGEMENT DISCUSSION AND ANALYSIS

### General Overview

During the six months ended 30 September 2006, turnover of the Group reported a turnover of HK\$2,817,000 (2005: HK\$2,527,000) representing an increase of 11% as compared to the corresponding period in 2005. The increase of turnover was mainly due to income accrued from property investment and provision of financial services.

The Group recorded a loss attributable to shareholders of approximately HK\$914,000 as compared to approximately HK\$1,923,000 for the corresponding period in 2005. The reduction in loss was mainly due to a decrease in provision for unrealized holding loss of financial assets at fair value through profit or loss and profit on disposal of securities investments recorded in the period under review.

Loss per share for the period was HK0.2 cents (30 September 2005: loss of HK0.4 cents) and the Board did not recommend any interim dividend for the six months ended 30 September 2006.

### Review of Business Operations

#### *Property Investments and Development*

Gross rental income in certain commercial properties in Beijing, PRC for the period under review amounted to HK\$2,310,000 (30 September 2005: HK\$2,145,000), increased by approximately 8% compared to the last corresponding period under review. The increase was mainly resulted from appreciation of Renminbi against Hong Kong Dollar.

The pre-sale of the Group's development site in Shenzhen received a satisfactory response during the period under review. Sales deposit of HK\$30,625,000 was recorded as at 30 September 2006 (31 March 2006: HK\$22,077,000) and the construction was progressing according to schedule.

#### *Investments and Financial Services*

Interest income derived from provision of financial services business was HK\$507,000 (2005: HK\$382,000) recorded an increase of 33% as compared to the corresponding period in 2005 which was resulted from increase in interest rate in the period under review.

Profit on disposal of securities investments of HK\$82,000 (2005: loss of HK\$66,000) and provision for unrealized loss on financial assets at fair value through profit or loss of HK\$96,000 (2005: HK\$1,339,000) were recorded in the period under review.

## Prospects

With the improvement in the macroeconomic outlook of Mainland, the official appreciation of the Renminbi, the urbanization program implemented by the Beijing municipal government and continually maturing market policies as well as the coming 2008 Olympics and 2010 World Expo, the management sees the PRC property market would grow steadily in the future. When opportunities arise and at reasonable terms, the management may dispose part of the properties so as to capitalize the appreciation of the value of the properties and release capital for further investments to strengthen the earning stream.

As mentioned in the company's last annual report, the Group will continue plan its future through reforms and search for any potential investment opportunities that can benefit the Group in the long term. The Group has commenced Zinc ore trading business since October 2006 and the result will reflected in our next financial report. The Group is currently seeking further business opportunity in the mining, ore processing and refining operation of lead-zinc resources in non-ferrous metal industry. Demand for zinc ore concentrate in the PRC is expected to increase in line with rapid growth of economy and the price of zinc has been on the rising trend over past years. The Directors expect that zinc business will bring a high return to the Group.

## Liquidity and Financial resources

As at 30 September 2006, the Group had a net current assets of about HK\$9,082,000 (31 March 2006: HK\$4,498,000), which included a cash balance of about HK\$3,808,000 (31 March 2006: HK\$1,724,000) and with a current ratio of 1.2 (total current assets to total current liabilities) (31 March 2006: 1.1).

Pursuant to a supplementary loan agreement 29 June 2006, the Group extended the repayment date of the bank borrowings, amounted around HK\$9,658,000, to 1 April 2007 bearing interest at 7.839% per annum. The borrowings are secured by certain of the Group's leasehold land and land use rights in Mainland China with a net book value of approximately HK\$37,174,000. As at 30 September 2006, the gearing ratio is 7% (total bank borrowings to shareholders' equities) (31 March 2006: 7%) and interest expenses is about HK\$376,000 (2005: HK\$157,000).

## Capital Structure

During the period, the issued share capital of the Company has increased due to the exercise of conversion rights attached the convertible notes in the amount of HK\$5,000,000. Upon exercise of the conversion rights attached to the convertible notes, the Company issued 30,303,030 ordinary shares of HK\$0.10 each at HK\$0.165 per share.

Consequent to the aforesaid events, the issued share capital of the Company was increased by HK\$3,031,000 (represented by 30,303,030 ordinary shares) to HK\$46,361,000 (represented by 463,605,030 ordinary shares).

## Contingent Liability

During the period under review, the Group did not have any material contingent liabilities as at 30 September 2006 (31 March 2006: Nil).

## Capital Investments and Commitments

During the period under review, except for the construction expenditures in relation to the construction of properties on certain industrial land in Shenzhen, PRC, the Group did not incur any material capital investment or expenditure. As at the interim report date, the Group had capital commitment in respect of the construction cost in relation to certain industrial land in Shenzhen, PRC amount to HK\$51,569,000.

Pursuant to a contractual arrangement with the constructor of the land, the constructor will recover the construction cost out of the net proceeds from the sale or rental generated from the properties constructed on the land in the 18-month period from completion of the construction of the properties on the land. In the event that the net proceeds from the sale or rental generated over the aforesaid period is insufficient to repay the constructor the full amount of the construction cost, the shortfall would be satisfied by the transfer of certain properties on the land with an equivalent market value (calculated on the basis of the then prevailing market price of those properties) to the constructor in full and final settlement of any liability of the Group towards the constructor in relation to the construction cost.

## Foreign exchange and interest rate exposure

The Group does not currently have any hedging activities against its foreign exchange exposure nor does adopt any formal hedging policies. Revenue and incurred cost of the Group are mainly denominated in Hong Kong Dollar and Renminbi. The directors consider the impact of foreign exchange of the Group will be minimal and the management will closely monitor the fluctuation in this currency and take appropriate actions when condition arises.

## Employment, training and remuneration policy

As at 30 September 2006, the Group's operations engaged a total of about 15 staffs and workers. The remuneration policy of the Group's employees are reviewed and approved by the executive directors based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. During the period, no share options were granted to any director or employee of the group. Benefits include staff accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the People's Republic of China.

## OTHER INFORMATION

### Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 September 2006, the interests and short positions of the directors and or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under 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 and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of voting power</b>
Mr. Chan Chi Yuen	Corporate	119,712,500	25.82

*Note:* The interests in these Shares are held by Dragon Union Investments Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Chan Chi Yuen. Accordingly, Mr. Chan Chi Yuen is deemed to be interested in all the Shares in which Dragon Union Investments Limited is interested by virtue of the SFO.



Save as disclosed above, as at 30 September 2006, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), as recorded in the register maintained by the Company under 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 and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

### **Directors’ rights to acquire shares or debentures**

At no time during the period under review 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 children under 18 years of age, 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.

### **Share option schemes**

The Company had adopted a share option scheme (the “Scheme”) approved at an extraordinary general meeting of the Company held on 30 August 2002 under which the Company may grant options to those eligible persons (including directors of the Company) to subscribe for shares of the Company.

No share option was granted or exercised during the six months ended 30 September 2006. As at 30 September 2006, there was no share option outstanding under the Scheme.

### **Directors’ interests in contracts**

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

## Disclosable interests and short positions of shareholders under the SFO

As at 30 September 2006, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors of chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

<b>Name of shareholder</b>	<i>Notes</i>	<b>Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of voting power</b>
Dragon Union Investments Limited	(i)	Corporate	119,712,500	25.82
Chan Chi Yuen	(i)	Corporate	119,712,500	25.82
Kistefos Investment A.S.	(ii)	Corporate	62,400,000	13.46
So Chi Ming		Personal	30,303,030	6.54

### *Notes:*

- (i) As at 30 September 2006, Mr. Chan Chi Yuen was the beneficial owner of Dragon Union Investments Limited. Details of the interest of Mr. Chan Chi Yuen in the shares of the Company are set out in the section "Directors' interests in shares" of this report.
- (ii) So far as is known to the Directors, Kistefos Investment A.S. is wholly-owned by A.S. Kistefos Traesliberi, in which Mr. Christen Sveaas has an 85% beneficial interest.

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

## Directorate

### *Executive directors*

Mr. Wu Jian Feng	(Appointed on 25 October 2006)
Mr. Zhang Cheng Jie	(Appointed on 25 October 2006)
Mr. Liu JiCheng	(Resigned on 10 May 2006)
Mr. Lam Kwan Sing	(Resigned on 25 October 2006)

### *Non-executive directors*

Mr. Chan Chi Yuen	(Appointed as executive director and chairman on 10 May 2006, re-designated on 25 October 2006)
Mr. Chan Chung Yin, Victor	(Appointed on 25 October 2006)
Ms. Huang Ning	(Resigned on 10 May 2006)

### *Independent non-executive director*

Mr. Fung Chi Kin	(Appointed on 25 October 2006)
Mr. Qian Zhi Hui	(Appointed on 25 October 2006)
Mr. Chiu Wai On	(Appointed on 25 October 2006)
Ms. Ho Pui Man	(Resigned on 25 October 2006)
Mr. Tse On Po, Vincent	(Resigned on 25 October 2006)
Mr. Law Fei Shing	(Resigned on 25 October 2006)

## Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

## Code of Corporate Governance Practices

In the opinion of the directors, the Company had complied with the Code Provisions on Corporate Governance (the "Code Provision(s)") as set out in Appendix 14 of the Listing Rules throughout the period ended 30 September 2006, except for the following deviations:

### *Code Provision A.2.1*

This code stipulates that the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Company does not at present have any office with the title "Chief Executive Officer".

### *Code provisions A.4.1*

This code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive and independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company.

### *Code Provision A.4.2*

This code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the present Bye-laws of the Company, directors who are appointed to fill a casual vacancy only required to be re-elected at the next annual general meeting. Moreover, the chairman of the Board and/or the managing director of the Company are not subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. These constitute deviation from the code provision A.4.2 of the Code.

## **Audit committee**

The Company has an audit committee which was established pursuant to the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Chiu Wai On, Mr. Fung Chi Kin and Qian Zhi Hui. The interim financial report for the six months ended 30 September 2006 has been reviewed by the Audit Committee.

## **Remuneration committee and Nomination committee**

The Company has established the Remuneration Committee and Nomination Committee with written terms of reference pursuant to the provisions set out in the Code Provision(s). Both the Committees comprise the independent non-executive directors only.

## **Model Code on Securities transactions by Directors**

The Company has adopted the Model Code as code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

ON BEHALF OF THE BOARD

**Wu Jian Feng**

*Executive Director*

Hong Kong

19 December 2006