



Interim Report **2008**

Smart Money at Work

vongroup

VONGROUP LIMITED

黃河實業有限公司

Stock Code: **00318**

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The board of directors (the "Board" or "Directors") of Vongroup Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2008, together with the comparative figures for the corresponding period of the previous year, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(unaudited)	
		Six months ended	
		31 October	
	Note	2008	2007
		HK\$'000	HK\$'000
			(restated)
Turnover	3	219,044	208,496
Other revenue		3,518	5,790
Cost of inventories consumed		(28,676)	(43,371)
Cost of trading securities		(165,045)	(100,659)
Cost of forfeited collaterals sold		(196)	(78)
Staff costs		(22,635)	(26,948)
Operating lease rentals		(11,070)	(12,738)
Depreciation and amortisation		(1,954)	(258)
Other expenses		(26,687)	(30,339)
Change in fair value of investment properties		(6,800)	–
Loss from operations	4	(40,501)	(105)
Finance costs	5	(102)	(139)
Share of results of:			
Jointly-controlled entity		(226)	(639)
Associate		(123)	1,459
(Loss)/profit before taxation		(40,952)	576
Income tax	6	(27)	–
(Loss)/profit for the period		(40,979)	576
Attributable to:			
Equity holders of the Company		(38,846)	161
Minority interests		(2,133)	415
		(40,979)	576
Dividend	7	Nil	Nil
(Loss)/earnings per share			
Basic	8	HK cents (0.7)	HK cents 0.01
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	11,853	11,188
Lease premium for land		5,656	5,711
Investment properties	10	19,000	25,800
Goodwill		8,988	8,988
Investment in a jointly-controlled entity		1,756	1,982
Rental and utility deposits		5,195	6,818
Deposits paid in respect of acquisition of property, plant and equipment and investment properties		17,206	9,126
Available-for-sale investment		135	135
		69,789	69,748
Current assets			
Lease premium for land		143	141
Inventories		10,979	11,741
Forfeited collaterals held for sale		105	128
Accounts receivable	11	1,209	443
Moneylending loan receivables	12	2,134	5,175
Promissory note receivable		–	7,798
Other receivables, deposits and prepayments	13	12,926	7,166
Amount due from a jointly-controlled entity		178	178
Financial assets at fair value through profit or loss	14	4,975	42,812
Pledged time deposit		693	1,036
Cash and cash equivalents		326,706	327,214
		360,048	403,832

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Current liabilities			
Accounts payable	15	10,547	10,265
Accruals and deposits received		11,731	15,461
Tax payables		20,400	20,149
Finance lease payables			
– current portion		430	162
Mortgage loans – current portion		841	828
Amount due to a director		858	91
		44,807	46,956
Net current assets			
		315,241	356,876
Total assets less current liabilities			
		385,030	426,624
Non-current liabilities			
Other payables		895	1,241
Finance lease payables – long-term portion		499	212
Mortgage loans – long-term portion		3,765	4,189
Deferred tax liabilities		591	591
		5,750	6,233
NET ASSETS			
		379,280	420,391
Capital and reserves			
Share capital		5,864	5,864
Reserves		359,835	398,813
		365,699	404,677
Minority interests		13,581	15,714
TOTAL EQUITY			
		379,280	420,391

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited					Accumulated losses	Attributable to equity holders of the Company	Minority interests	Total
	Share capital	Share premium	Capital redemption reserve	Statutory surplus reserve	Exchange fluctuation reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2007 (audited)	5,587	237,380	258	-	(1,422)	(104,742)	137,061	38,768	175,829
Issue of shares	277	315,296	-	-	-	-	315,573	-	315,573
Issuing expenses	-	(19,190)	-	-	-	-	(19,190)	-	(19,190)
Exchange difference arising on translation of foreign operations	-	-	-	-	(526)	-	(526)	-	(526)
Profit for the period	-	-	-	-	-	161	161	415	576
At 31 October 2007	5,864	533,486	258	-	(1,948)	(104,581)	433,079	39,183	472,262
At 1 May 2008 (audited)	5,864	533,481	258	33	(2,970)	(131,989)	404,677	15,714	420,391
Exchange difference arising on translation of foreign operations	-	-	-	-	(132)	-	(132)	-	(132)
Loss for the period	-	-	-	-	-	(38,846)	(38,846)	(2,133)	(40,979)
At 31 October 2008	5,864	533,481	258	33	(3,102)	(170,835)	365,699	13,581	379,280

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash inflow from operating activities	5,529	2,329
Net cash outflow from investing activities	(6,869)	(122,024)
Net cash inflow from financing activities	808	296,392
Net (decrease)/increase in cash and cash equivalents	(532)	176,697
Cash and cash equivalents at beginning of the period	327,214	88,943
Effect of foreign exchange rate changes	24	(526)
Cash and cash equivalent at end of the period	326,706	265,114

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Summary of significant accounting policies

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss, which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2008.

In the current period, the Group has applied, for the first time, new amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 May 2008. The adoption of these new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The adoption of Hong Kong Financial Reporting Standard 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

3. Segment information

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

Business segments

The Group comprises the following main business segments:

Consumer finance:	Consumer finance business
Securities investment:	Trading of securities
Smart-card financial services:	Smart-card financial services business
Properties investment:	Letting of properties
Restaurant operation:	Catering services through the operation of a chain of Chinese restaurants

The following table presents revenue and results for the Group's business segments.

	unaudited											
	Consumer finance		Securities investment		Smart-card financial services		Properties investment		Restaurant operation		Total	
	Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October		Six months ended 31 October	
	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
		(restated)		(restated)		(restated)		(restated)		(restated)		(restated)
Segment Revenue:												
Turnover	1,058	235	140,761	108,382	-	-	204	192	77,021	99,687	219,044	208,496
Other revenue	319	598	2,880	3,357	24	1,429	-	-	218	282	3,441	5,666
Total	1,377	833	143,641	111,739	24	1,429	204	192	77,239	99,969	222,485	214,162
Segment results	340	37	(21,403)	11,080	(2,486)	960	(6,636)	166	(5,332)	(8,724)	(35,517)	3,519
Unallocated other revenue											77	124
Unallocated expenses											(5,061)	(3,748)
Loss from operations											(40,501)	(105)
Finance costs											(102)	(139)
Share of results of:												
Jointly-controlled entity	-	-	-	-	-	-	-	-	(226)	(639)	(226)	(639)
Associate	-	-	-	-	-	-	-	-	(123)	1,459	(123)	1,459
(Loss)/profit before taxation											(40,952)	576
Income tax											(27)	-
(Loss)/profit for the period											(40,979)	576

3. Segment information (Continued)

Geographical segments

The following table presents turnover information for the Group's geographical segments:

	Hong Kong		unaudited PRC		Total	
	Six months ended 31 October		Six months ended 31 October		Six months ended 31 October	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)				(restated)
Turnover	196,894	187,044	22,150	21,452	219,044	208,496

4. Loss from operations

The loss from operations is arrived at after charging/(crediting):

	Six months ended 31 October	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Cost of inventories consumed	28,676	43,371
Cost of trading securities	165,045	100,659
Staff costs (including directors' remuneration)	22,635	26,948
Bank interest income	(2,491)	(3,982)
Dividend income from listed securities	(848)	(105)

5. Finance costs

	Six months ended 31 October	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Interest on banks and mortgage loans	72	137
Interest on finance leases	28	-
Other interest paid	2	2
	102	139

6. Income tax

	Six months ended 31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profits tax:		
Current period provision – Hong Kong	–	–
Current period provision – Outside Hong Kong	27	–
	<u>27</u>	<u>–</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the periods of six months ended respectively 31 October 2008 and 2007. Taxes on profits assessable outside Hong Kong during the period ended 31 October 2008 was calculated at the rate of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. Dividend

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2008 (2007: nil).

8. (Loss)/earnings per share

The calculation of basic loss per share is based on the unaudited condensed consolidated loss for the period ended 31 October 2008 of HK\$40,979,000 (six months ended 31 October 2007: profit HK\$576,000) and on the weighted average number of 5,863,960,900 (six months ended 31 October 2007: 5,736,195,275) shares in issue during the current period.

No diluted (loss)/earnings per share are presented as there were no dilutive potential ordinary shares in existence in both periods.

9. Property, plant and equipment

The movements in property, plant and equipment during the period are summarised as follows:

	HK\$'000
	(unaudited)
Carrying values as at 1 May 2008 (audited)	11,188
Additions	2,471
Depreciation	(1,882)
Exchange adjustments	<u>76</u>
Carrying values as at 31 October 2008	<u>11,853</u>

10. Investment properties

An unrealised loss on decrease in fair value of investment properties of HK\$6.8 million has been recognised in the condensed consolidated income statement. The fair value of the Group's investment properties as at 31 October 2008 has been arrived at on the basis of a valuation carried out by an independent valuer. The valuation of the Group's investment properties has been arrived at by using direct comparison method where comparison based on prices information on comparable property is made.

11. Accounts receivable

The general credit terms granted by the Group to its customers range from 30 to 90 days. An aging analysis of the Group's accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Within 30 days	672	46
31-90 days	256	256
91-180 days	102	41
Over 180 days	179	100
	1,209	443

The aging analysis of accounts receivable that is not considered to be impaired is as follows:

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Neither past due nor impaired	508	302
Within 30 days	–	41
31-90 days	629	99
91-180 days	58	1
Over 180 days	14	–
	701	141
	1,209	443

12. Moneylending loan receivables

The Group offers loans to borrowers commonly known as moneylending loans. A typical moneylending loan generally has a term of 30 to 180 days.

13. Other receivables, deposits and prepayments

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Prepayments	3,288	3,105
Rental and other deposits	7,947	2,078
Credit card receivables	279	488
Staff advances	405	382
Others	1,007	1,113
	12,926	7,166

14. Financial assets at fair value through profit or loss

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
At fair value:		
Listed equity investments in Hong Kong	4,975	41,413
Listed equity investments outside Hong Kong	–	1,399
	4,975	42,812

15. Accounts payable

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

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
0-30 days	4,829	4,271
31-90 days	5,081	5,248
91-180 days	331	354
181-360 days	306	392
	10,547	10,265

16. Contingent liabilities

- (a) In December 2005, a legal action was commenced by a former employee of Kamboat Chinese Cuisine Company Limited ("KCCC"), a wholly-owned subsidiary of the Company, against KCCC for the claim of approximately HK\$1,569,000 for personal injuries, loss and damages suffered during the work in KCCC. In the opinion of the directors, such claim should be adequately covered by the Group's insurance. Hence, no provision has been made in the financial statements.
- (b) As at 31 October 2008, a number of current employees achieved the required numbers of years of services to the Group in order to be eligible for long services payments under the Employment Ordinance should their employments be terminated under certain prescribed circumstances. A provision has not been recognised in respect of such possible payment, as it is not considered probable that there will be a material future outflow of resources from the Group in respect thereof. As at 31 October 2008, the Group has a contingent liability in respect of possible future payments to employees under the Employment Ordinance with a maximum amount of approximately HK\$1,205,000 (30 April 2008: HK\$1,205,000).
- (c) As at 31 October 2008 and 30 April 2008, the Company provided corporate guarantee to a landlord to the extent of approximately HK\$370,000 in respect of operating lease payments of a subsidiary. No recognition of such guarantee was made for the six months ended 31 October 2008 and year ended 30 April 2008 because the directors of the Company did not consider it probable that a claim would be made against the Group under the guarantee.

17. Operating lease arrangements

(a) As lessor

The Group leases its investment property under operating lease arrangement, with leases negotiated for terms of two years. The terms of the lease generally also require the lessee to pay security deposit.

As at the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating lease with its lessee falling due as follows:

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Within one year	480	408
In the second to fifth years, inclusive	504	–
	984	408

17. Operating lease arrangements *(Continued)*

(b) As lessee

As at the balance sheet date, the Group had outstanding commitments under non-cancellable operating lease falling due as follows:

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Within one year	17,445	21,530
In the second to fifth years, inclusive	29,814	37,741
	47,259	59,271

The Group leases restaurant premises, staff quarters, offices and warehouses under non-cancellable operating lease arrangements with lease terms ranging from three to nine years.

The operating lease rentals of certain restaurant premises are based on the higher of a minimum guaranteed rental or a sales level based rental, ranging from 6% to 7.5% on the sales level. The minimum guaranteed rental has been used to arrive at the above commitments.

18. Capital commitments

As at 31 October 2008 and 30 April 2008, the Group had the following capital commitments:

	31 October 2008 HK\$'000 (unaudited)	30 April 2008 HK\$'000 (audited)
Contracted but not provided for:		
Property, plant and equipment	–	1,373
Investment properties	24,953	26,159
	24,953	27,532

19. Related party transactions

The Group had the following material transactions with its related parties during the period:

	Six months ended	
	31 October	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Purchase of bakery products	-	2,908

Note: The Group purchased bakery products from its associate. The prices were determined through negotiations with its associate on a case-by-case basis.

20. Approval of the interim financial statements

These unaudited condensed consolidated interim financial statements have been reviewed with no disagreement by the Audit Committee of the Company and were approved and authorised for issue by the Board on 16 January 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group's total turnover for the six months ended 31 October 2008 increased by 5.0% to HK\$219.0 million from HK\$208.5 million recorded in the last corresponding period. The Group recorded a change from a profit of HK\$0.6 million for the six months ended 31 October 2007 to a loss of HK\$41.0 million for the six months ended 31 October 2008. The results per share changed from earnings per share of HK cents 0.01 per share for the six months ended 31 October 2007 to a loss of HK cents 0.7 per share for the six months ended 31 October 2008.

Business Review

Consumer Finance Business

For the period under review, the Group's moneylending business has been focused on SME business owners due to their demand for short-term working capital.

Smart-card Financial Services Business

During the period under review, our "e-ticket" system at Beijing Shijingshan Sculpture Park has been installed and is undergoing technical improvements.

We continue to develop our RFID payment card system as an "e-wallet" and to explore more potential investment opportunities in this direction. In this current period, this business incurred a segment loss of HK\$2.5 million.

Securities Investment Business

The global turmoil in the stock markets has had an impact upon our securities investments, and the Group recorded a realised and unrealised loss of approximately HK\$24.3 million (31 October 2007: profit of approximately HK\$7.7 million) for its investments in trading securities during the six months ended 31 October 2008.

Properties Investment Business

The market downturn had a negative impact on the Asia Pacific region's property sector in 2008. Against the backdrop of a weakening U.S. economy and the global credit crunch, the pace of economic growth in Hong Kong was inevitably affected due to the effect of a less buoyant financial market.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Properties Investment Business *(Continued)*

During the period under review, the turnover of the Group's properties investment segment was HK\$204,000 (31 October 2007: HK\$192,000). The segment recorded a loss of HK\$6,636,000 due to the unrealised fair value losses of the investment properties valued as at 31 October 2008. Excluding the unrealised fair value losses in 2008, the recurring profit of the properties investment segment would have been HK\$164,000 (31 October 2007: HK\$166,000).

Restaurant Business

The turnover of the Group's restaurants, which amounted to approximately HK\$77.0 million in the six months ended 31 October 2008, decreased as compared with HK\$99.7 million in the six months ended 31 October 2007. The reduction in turnover resulted from a decline in consumer demand and the difficult business environment under the recent adverse conditions and the increasing instability of the global financial markets.

Prospect

2008 has been a very challenging year. The fallout from the U.S. sub-prime mortgage crisis and the continuing weakness has started to be felt around the global economy. We expect that the outlook will continue to be volatile in 2009.

Despite difficulties in the recent financial tsunami and volatility in the global stock markets, the Group will pursue opportunities to develop its business in consumer finance, smart-card financial services, securities investment, properties investment and restaurants, as well as seek potential value-driven investment opportunities.

Financial Review

Liquidity and Financial Resources

As at 31 October 2008, the Group had total assets of HK\$429.8 million (30 April 2008: HK\$473.6 million) and total equity attributable to shareholders of HK\$365.7 million (30 April 2008: HK\$404.7 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 8.0 (30 April 2008: 8.6). The Group's working capital, represented by total current assets against total current liabilities, as at 31 October 2008 was HK\$315.2 million (30 April 2008: HK\$356.9 million).

As at 31 October 2008, the Group's cash and cash equivalents amounted to HK\$326.7 million (30 April 2008: HK\$327.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Review *(Continued)*

Liquidity and Financial Resources *(Continued)*

As at 31 October 2008, the Group had mortgage loans of HK\$4.6 million (30 April 2008: HK\$5.0 million). The gearing ratio, which was calculated based on the total bank borrowings over total equity, of the Group as at 31 October 2008 was 1.2% (30 April 2008: 1.2%).

Since the majority of the Group's resources of income and bank balances are denominated in Hong Kong dollars and Renminbi, the impact of the fluctuation in exchange rate is immaterial to the Group's financial position.

Charges on Group's assets

Certain buildings and lease premium for land were pledged to the Group's banker to secure the mortgage loans granted to the Group.

Contingent Liabilities

As at 31 October 2008, the Group had contingent liabilities in respect of (i) a claim of approximately HK\$1,569,000 for personal injuries, loss and damages suffered during the work made by a former employee (30 April 2008: HK\$1,569,000); (ii) possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$1,205,000 (30 April 2008: HK\$1,205,000); and (iii) corporate guarantee of HK\$370,000 (30 April 2008: HK\$370,000) which were provided by the Company to landlords in respect of the operating lease payments of its subsidiaries.

Capital Commitments

As at 31 October 2008, the Group had outstanding capital commitments of HK\$25.0 million in respect of the balance of the consideration for purchase of investment properties (30 April 2008: HK\$27.5 million).

Employment and Remuneration Policy

As at 31 October 2008, the Group had 455 (30 April 2008: 452) employees in Hong Kong and the PRC. The Group has not experienced any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare, share options and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

OTHER INFORMATION

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 October 2008, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares and debentures 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were set out as follows:

Name	Capacity	Interest in shares	Approximate percentage of shareholding
Mr. Vong Tat leong, David (note 1)	Held through a controlled corporation	4,062,000,000 ordinary shares	69.27%
Mr. Wong Chi Man (note 2)	Direct beneficial owner and held through controlled corporations	59,524,000 ordinary shares	1.02%

Notes:

1. The interest of Vong Tat leong, David is held by Vonggroup Holdings Limited, of which he is the ultimate beneficial owner.
2. The interest of Wong Chi Man includes 48,299,000 shares held by Cambo Enterprises Limited ("Cambo"), 8,563,000 shares held by New Top Investment Limited ("New Top HK"), and 2,662,000 shares held by Wong Chi Man. Cambo is approximately 49% owned by New Top HK, and approximately 3% owned by Wong Chi Man; New Top HK's ultimate beneficial owner is Wong Chi Man.

Save as disclosed above, as at 31 October 2008, 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.

OTHER INFORMATION *(Continued)*

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under "Share Option Scheme" below, at no time during the six months ended 31 October 2008 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 holding company, its fellow subsidiary or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or minor children to acquire such rights in or any other body corporate.

Share Option Scheme

The Company adopted a share option scheme on 15 September 2001 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Directors of the Company, at their discretion, may grant options to Directors, officers and employees (whether full time or part-time) of the Company or a subsidiary and any other groups or classes of suppliers, customers, sub-contractors or agents of the Group from time to time determined by the Directors as having contributed or may contribute to the development and growth of the Group. However, no share options were outstanding nor granted during the period of six months ended 31 October 2008.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2008, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of the Directors or chief executive of the Company, no other interests required to be recorded in the register kept under Section 336 of the SFO have been notified to the Company.

Save as disclosed above, as at 31 October 2008, the Company had not been notified by any person, other than the Directors or chief executive of the Company, whose interests are disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION *(Continued)*

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standards set out in the Model Code during the six months ended 31 October 2008.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2008.

Purchase, Redemption or Sale of Listed Securities

During the six months ended 31 October 2008, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

Audit Committee

During the current period, the Audit Committee of the Company comprised three Independent Non-executive Directors, namely, Mr. Fung Ka Keung David, Dr. Lam Lee G. and Ms. Wong Man Ngar Edna. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 31 October 2008.

OTHER INFORMATION *(Continued)*

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 31 October 2008 except for the deviations from the code provisions as described below.

- (1) According to the code provisions, the non-executive directors should be appointed for a specific term, subject to re-election. All directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with its articles of association, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures are in place to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.
- (2) In accordance with the code provision, the role of chairman and chief executive officer ("CEO") should be performed by different individuals. Vong Tat leong, David, who is director and CEO of the Company, has also carried out the responsibilities of the chairman of the Company. The Board considers the present structure is more suitable to the Company for it can provide strong and consistent leadership and allow for more efficient formulation and implementation of the Company's development strategies.

Appreciation

I would like to take this opportunity to thank my fellow directors for their invaluable advice and guidance, and to all of our staff for their hard work and loyalty to the Group.

By order of the Board
Vong Tat leong, David
Executive Director

Hong Kong, 16 January 2009

As at the date of this report, the board of the Company comprises three executive Directors, namely: Vong Tat leong, David, Wong Chi Man and Xu Siping; and three independent non-executive Directors, namely: Fung Ka Keung, David, Lam Lee G. and Wong Man Ngar, Edna.