

Interim Report 2007



vongroup

Smart Money at Work

VONGROUP LIMITED

黃河實業有限公司

Stock Code: 318

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The board of directors (the "Board" or "Directors") of Vongroup Limited (the "Company") is pleased to present the unaudited interim report of the Company and its subsidiaries (the "Group") for the six months ended 31 October 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

Unaudited
Six months ended
31 October

	Notes	2007 HK\$,000	2006 HK\$,000 (Restated)
Revenue	2	208,304	128,892
Other income		5,982	2,098
Cost of inventories consumed		(43,449)	(39,233)
Cost on listed securities investments		(100,659)	(25,073)
Staff costs		(26,948)	(29,662)
Operating lease rentals		(12,738)	(12,861)
Depreciation and amortisation expenses		(258)	(4,873)
Other operating expenses		(30,339)	(33,340)
Operating loss	3	(105)	(14,052)
Finance costs		(139)	(62)
Share of results of:			
Jointly controlled entity		(639)	309
Associate		1,459	1,234
Profit/(loss) before taxation		576	(12,571)
Income tax	4	–	(2,282)
Profit/(loss) for the period		576	(14,853)
Attributable to:			
Equity holders of the Company		161	(14,853)
Minority interests		415	–
		576	(14,853)
Dividend	5	Nil	Nil
(Profit)/loss per share			
Basic	6	HK cent 0.01	HK cent (0.27)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited 31 October 2007	Audited 30 April 2007
Notes	HK\$'000	HK\$'000
Non-current assets		
Property, plant and equipment	3,608	2,610
Land use rights	1,291	1,319
Investment property	8,800	8,800
Goodwill	8,988	8,988
Interest in a jointly controlled entity	930	1,368
Rental and utility deposits	7,188	7,871
Deposits paid in respect of acquisition of property, plant and equipment	5,500	5,500
Available-for-sale investment	135	135
	36,440	36,591
Current assets		
Inventories	11,176	10,682
Merchandise held for sale	369	361
Accounts receivable	7,761	3,191
Moneylending loan receivables	20,033	970
Promissory note receivable	29,250	39,000
Deposits, prepayments and other receivable	22,192	36,866
Staff advances	603	665
Amount due from a jointly controlled entity	–	201
Amount due from a related company	–	1
Financial assets at fair value through profit or loss	134,116	11,355
Cash and cash equivalents	265,114	88,943
	490,614	192,235

CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

		Unaudited 31 October 2007 <i>Notes</i>	Audited 30 April 2007 <i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Accounts payable	11	10,809	11,171
Accruals and deposits received		15,146	17,041
Tax payable		17,803	16,894
Bank loan – secured		5,133	156
Amount due to directors		3,745	140
		52,636	45,402
<hr/>			
Net current assets		437,978	146,833
<hr/>			
Total assets less current liabilities		474,418	183,424
Non-current liabilities			
Other payables		1,565	1,943
Bank loan – secured		–	5,061
Deferred tax liabilities		591	591
		2,156	7,595
<hr/>			
NET ASSETS		472,262	175,829
<hr/>			
CAPITAL AND RESERVES			
Share capital	12	5,864	5,587
Reserves		427,215	131,474
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		433,079	137,061
Minority interest		39,183	38,768
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TOTAL EQUITY		472,262	175,829
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							Total
	Share capital	Share premium	Capital redemption reserve	Exchange translation reserve	Accumulated losses	Attributable to equity holders of the Company	Minority interest	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 May 2006	5,587	237,380	258	(60)	(89,794)	153,371	-	153,371
Exchange difference arising on translation of foreign operations	-	-	-	(301)	-	(301)	-	(301)
Loss for the period	-	-	-	-	(14,853)	(14,853)	-	(14,853)
As at 31 October 2006	5,587	237,380	258	(361)	(104,647)	138,217	-	138,217
As at 1 May 2007	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
As at 31 October 2007	5,864	533,486	258	(1,948)	(104,581)	433,079	39,183	472,262

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 31 October	
	2007	2006
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	2,329	(48,603)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(122,024)	4,943
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	296,392	(12,985)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	176,697	(56,645)
Cash and cash equivalents at beginning of the period	88,943	139,451
Effect of foreign exchange rate changes	(526)	(301)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	265,114	82,505

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The 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 (“Listing Rules”) on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the Group’s annual financial statements for the year ended 30 April 2007, except for:

- (i) the adoption of the following new and revised standards and interpretations which have been issued and effective as at the time of preparing this information:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of such standards or interpretations did not result in substantial changes to the Group’s accounting policies.

1. Basis of preparation and accounting policies *(Continued)*

- (ii) the adoption of the following revenue recognition policy:

Proceeds from sale of trading securities are recognized on the transaction dates.

The adoption of this policy does not have any impact on the results and the financial position of the Group. Only certain comparative amounts have been reclassified to conform the current period's presentation.

The Group had not early adopted the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ⁽¹⁾
HKFRS 8	Operating Segments ⁽¹⁾
HK(IFRIC)-Int 12	Service Concession Arrangements ⁽²⁾
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁽³⁾
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ⁽²⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2009

⁽²⁾ Effective for annual periods beginning on or after 1 January 2008

⁽³⁾ Effective for annual periods beginning on or after 1 July 2008

The Directors of the Company anticipate that the adoption of these standards or interpretations will have no material impact on the results and the financial position of the Group.

2. Segment Information

The Group comprises the following main business segments:

Consumer finance:	Consumer finance business
Smart-card financial services:	Smart-card payment financial services business
Listed Securities investments:	Listed Securities investments and trading
Restaurant operation:	Catering services through operation of a chain of restaurants

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.

2. Segment Information (Continued)

(a) Business segments

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

	Consumer finance		Smart-card				Unaudited		Total	
			financial services		Securities		Restaurant			
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October		31 October		31 October	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		
		(Restated)				(Restated)		(Restated)		
Revenue	235	664	-	-	108,382	25,900	99,687	102,328	208,304	128,892
Segment results	37	(266)	960	-	7,723	637	(9,006)	(8,434)	(286)	(8,063)
Unallocated										
other income									3,955	1,097
Unallocated										
expenses									(3,774)	(7,086)
Operating loss									(105)	(14,052)
Finance costs									(139)	(62)
Share of results of:										
Jointly controlled entity	-	-	-	-	-	-	(639)	309	(639)	309
Associate	-	-	-	-	-	-	1,459	1,234	1,459	1,234
Profit/(loss)										
before taxation									576	(12,571)
Income tax									-	(2,282)
Profit/(loss) for the period									576	(14,853)

2. Segment Information (Continued)

(b) Geographical segments

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

	Hong Kong		Unaudited PRC		Total	
	Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October	
	2007	2006	2007	2006	2007	2006
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Restated)				(Restated)	
Revenue	186,852	105,407	21,452	23,485	208,304	128,892

3. Operating loss

Operating loss is arrived at after charging/(crediting):

	Unaudited	
	Six months ended	
	31 October	
	2007	2006
HK\$'000	HK\$'000	
		(Restated)
Cost of inventories consumed	43,449	39,233
Cost on securities investments	100,659	25,073
Depreciation	258	4,873
Staff costs	26,948	29,662
Bank interest income	(3,982)	(1,488)

4. Income tax

	Unaudited	
	Six months ended	
	31 October	
	2007	2006
	HK\$'000	HK\$'000
Profits tax:		
Current period provision – Hong Kong	–	–
Current period provision – outside Hong Kong	–	2,282
	–	2,282

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 2007 and 31 October 2006. Taxes on profits assessable outside Hong Kong during the periods ended 31 October 2006 was 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.

5. Dividend

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2007 (2006: nil).

6. Profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the unaudited condensed consolidated profit for the period ended 31 October 2007 of HK\$576,000 (six months ended 31 October 2006: loss HK\$14,853,000) and on the weighted average number of 5,736,195,275 (six months ended 31 October 2006: 5,587,385,900) shares in issue during the current period.

6. Profit/(loss) per share *(Continued)*

No diluted profit/(loss) per share figures have been shown as there were no potential ordinary shares outstanding for both of the periods.

7. Accounts receivable

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

	Unaudited	Audited
	31 October 2007	30 April 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	7,643	1,465
31-90 days	103	673
91-180 days	15	477
Over 180 days	–	576
	7,761	3,191

8. Moneylending loan receivables

The Group offers loans secured by tangible personal property, such as real estate and jewellery, and intangible property, such as shares and other financial instruments, commonly known as moneylending loans. A moneylending loan generally has a term of less than three months.

9. Promissory note receivable

A promissory note receivable of US\$5,000,000 was issued by Red Star Holdings Enterprises Limited ("Red Star"), a shareholder of Guo Xin China Pay Systems Limited ("Guo Xin"), in favour of China e-ticket Investment Holdings Limited ("CET") as the consideration for the shares of CET issued to SCIO Investment Limited and Guo Xin. The promissory note was transferred to and assumed by Smart View Technology Limited ("Smart View") by a novated promissory note dated 13 December 2006. Smart View agreed to settle the US\$5,000,000 novated promissory note by cash in 8 equal installments of US\$625,000 each in each of the 8 consecutive calendar months starting from August 2007 and finishing before the end of the financial year ending on 30 April 2008. The novated promissory note bears interest to be charged and accrued on a daily basis at the Hong Kong dollar prime rate announced by The Hongkong and Shanghai Banking Corporation Limited from time to time.

10. Financial assets at fair value through profit or loss

	Unaudited	Audited
	31 October 2007	30 April 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investments at fair value:		
– in Hong Kong	132,614	9,825
– outside Hong Kong	1,502	1,530
	134,116	11,355

The above equity investments are classified as held for trading. The fair values of these equity investments are usually based on quoted market prices.

11. Accounts payable

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

	Unaudited 31 October 2007 <i>HK\$'000</i>	Audited 30 April 2007 <i>HK\$'000</i>
Within 30 days	6,799	5,549
31-90 days	3,930	5,458
91-180 days	80	117
181-360 days	–	34
Over 360 days	–	13
	10,809	11,171

12. Share capital

	Number of ordinary shares	<i>HK\$'000</i>
Authorized:		
Ordinary shares of HK\$0.001 each		
At 30 April 2007 and 31 October 2007	200,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 1 May 2006 and 30 April 2007	5,587,385,900	5,587
Issue of new shares	276,575,000	277
At 31 October 2007	5,863,960,900	5,864

13. Contingent liabilities

- (a) In December 2005, a legal action was commenced by a former employee of 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) At 31 October 2007, a number of current employees achieved the required numbers of years of services to the Group in order to eligible for long services payments under the Employment Ordinance should their employments be terminated under certain prescribed circumstances. A provision has not been recognized 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. At 31 October 2007, the Group has a contingent liability in respect of possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$1,200,000 (30 April 2007: HK\$ 1,200,000).
- (c) At 31 October 2007 and 30 April 2007, the Company provided corporate guarantee to a landlord to the extent of approximately HK\$370,000 in respect of operating lease payments of its subsidiary. No recognition of such guarantee was made for the six months ended 31 October 2007 and year ended 30 April 2007 because the directors of the Company did not consider it probable that a claim would be made against the Group under the guarantee.

14. 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 and provide for periodic rent adjustment according to the then prevailing market conditions.

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:

	Unaudited 31 October 2007 <i>HK\$'000</i>	Audited 30 April 2007 <i>HK\$'000</i>
Within one year	408	396
In the second to fifth years, inclusive	–	204
	408	600

(b) As lessee

At 31 October 2007, the Group had outstanding commitments under non-cancellable operating leases falling due as follows:

	Unaudited 31 October 2007 <i>HK\$'000</i>	Audited 30 April 2007 <i>HK\$'000</i>
Within one year	20,670	26,467
In the second to fifth years, inclusive	42,514	62,703
	63,184	89,170

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.

15. Commitments

- (i) The Group set up a wholly foreign owned enterprise, 北京國新萬聯科技有限公司, in the current period and committed to inject US\$1.3 million as paid-up capital. During the current period, US\$500,000 was injected. The Group has an authorized and contracted commitment of US\$800,000 which was not provided for at 31 October 2007.
- (ii) As 31 October 2007, the Company has a capital commitment of HK\$7.88 million being the consideration of purchase of 2 real properties, which has since been met from internal sources of the Company plus mortgage of HK\$5.306 million from a bank in Hong Kong.

16. Related party transactions

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

	Unaudited	
	Six months ended	
	31 October	
	2007	2006
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of bakery products	2,908	5,520

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

17. 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 authorized for issue by the Board on 25 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group's total revenue for the six months ended 31 October 2007 increased by 61.6% to HK\$208.3 million from the restated balance of HK\$128.9 million recorded in the last corresponding period. The Group recorded a turn around from a loss of HK\$14,853,000 for the six months ended 31 October 2006 to a profit of HK\$576,000 for the six months ended 31 October 2007. The result per share changed from loss per share of HK cent 0.27 for the six months ended 31 October 2006 to a profit of HK cent 0.01 per share for the six months ended 31 October 2007.

Business Review

Consumer Finance Business

In view of strong consumption power as a result of the booming economy in Hong Kong in recent years, the Group started to explore the opportunity of the consumer finance market in Hong Kong. The Group obtained its money lender's licence under the Money Lenders Ordinance (Chapter 163 of Laws of Hong Kong) in early October 2007. The Group started to carry on business as a money lender in Hong Kong and the outstanding moneylending loan receivables at 31 October 2007 in Hong Kong amounted to approximately HK\$20 million and the effective rate of interest charge was within the statutory limit of 60 per cent per annum.

For the moneylending business in PRC, the Group switched its focus to SME business owners market as their demand for short-term large balance working capital is higher. The Group plans to apply to establish a new moneylending branch in Beijing in 2008.

Business Review *(Continued)*

Smart-card Financial Services Business

The on-site testing of our unique system, which utilizes advanced RFID technology and will be customized according to the requirements of different sites, was successfully carried out at our first pilot site, Beijing Shijingshan Sculpture Park, in January 2008. The Group will expedite the process of promoting this system to major tourist sites and payment systems in the PRC. During the process of developing this unique system, the Group has identified opportunities, based on the system we have developed, to expand our RFID payment card system to “e-wallet” with certain modifications. We are now exploring more investment opportunities in this direction.

Securities Investment Business

The Group invests in listed securities in Hong Kong. The profit on securities investments for the six months period ended 31 October 2007 was HK\$7.7 million. (2006: HK\$637,000).

Restaurant Business

The turnover of the Group’s restaurants, which amounted to approximately HK\$99.7 million in the six months ended 31 October 2007, decreased slightly as compared with HK\$102.3 million in the six months ended 31 October 2006. The rise in materials costs and labour costs resulted in a segmental loss of HK\$9.0 million in the six months ended 31 October 2007 compared with HK\$8.4 million in the six months ended 31 October 2006. The Group would continue to implement cost controls to minimize rising costs.

Prospect

The economy of PRC and Hong Kong expanded rapidly recently. The Group will continue to pursue sustainable leading-edge initiatives in financial services, consumer finance and highly-regulated consumption sectors in PRC and Hong Kong while optimizing sustained growth and maximizing shareholder value through better utilization of the resources of the Group.

Financial Review

Liquidity and Financial Resources

As at 31 October 2007, the Group had total assets of HK\$527.1 million (30 April 2007: HK\$228.8 million) and total equity attributable to equity shareholders of HK\$433.1 million (30 April 2007: HK\$137.1 million). The Group's current ratio, being the proportion of total current assets against total current liabilities, was 9.3 (30 April 2007: 4.2). The Group's working capital, represented by total current assets against total current liabilities, as at 31 October 2007 was HK\$438.0 million (30 April 2007: HK\$146.8 million).

As at 31 October 2007, the Group's cash and cash equivalents amounted to HK\$265.1 million (30 April 2007: HK\$88.9 million).

As at 31 October 2007, the Group had a bank loan of HK\$5.1 million (30 April 2007: HK\$5.2 million) which was a mortgage loan and was fully repaid after 31 October 2007. The gearing ratio, which was calculated based on the bank loans over shareholders' equity, of the Group at 31 October 2007 was 1.2% (30 April 2007: 3.8%).

Since the majority of the Group's sources 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

The Group's investment property was pledged to the Group's banker to secure the mortgage loan granted to the Group.

Financial Review *(Continued)*

Contingent Liabilities

As at 31 October 2007, the Group has 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 2007: HK\$1,569,000); (ii) possible future payments to employees under the Employment Ordinance with a maximum possible amount of approximately HK\$1.2 million (30 April 2007: HK\$1.2 million); and (iii) corporate guarantees of HK\$370,000 (30 April 2007: HK\$370,000) which were provided by the Company to landlords in respect of the operating lease payments of its subsidiaries.

Commitments

As at 31 October 2007, the Group had outstanding commitments of (i) US\$800,000 in respect of the paid-up capital of a wholly foreign owned enterprise; and (ii) HK\$7.9 million being the consideration of purchase of two real properties (30 April 2007: nil).

Employment and Remuneration Policy

As at 31 October 2007, the Group had 464 (30 April 2007: 630) 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.

ADDITIONAL INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 October 2007, the interests or short positions of the Directors or their associates in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), are set out below:

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

Notes:

1. The interest of Vong Tat leong David is held by Vongroup 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.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Save as disclosed above, as at 31 October 2007, none of the Directors or their associates had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 2007 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 2007.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 October 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name of shareholders	Long position		Short position	
	Number of shares	Approximate% of the issued share capital	Number of shares	Approximate% of the issued share capital
Vong Tat leong David <i>(note)</i>	4,062,000,000	69.27%	-	-
Vongroup Holdings Limited <i>(note)</i>	4,062,000,000	69.27%	-	-
ABN AMRO Holding N.V.	550,676,056	9.39%	550,676,056	9.39%

Note: The relationship between Vongroup Holdings Limited and Mr Vong is disclosed under the note (1) of "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

Save as disclosed above, as at 31 October 2007, no person had registered an interest in the issued share capital of the Company that was required to be recorded under Section 336 of the SFO.

Model Code for Directors' Dealing in Securities

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 31 October 2007.

Purchase, Redemption or Sale of Listed Securities

During the six months ended 31 October 2007, 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 of three Independent Non-executive Directors, namely, Mr Fung Ka Keung David, Dr Lee G. Lam and Ms Wong Man Ngar Edna. The audit committee has reviewed with the management the accounting principle and practice 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 2007.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") throughout the six months ended 31 October 2007 except for the deviations from the code provisions as described below:

Compliance with the Code on Corporate Governance Practices

(Continued)

- (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. Since September 2006, 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 each and every one 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, 25 January 2008

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, Lee G. Lam and Wong Man Ngar Edna.