



ANNOUNCEMENT OF THE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the “Board”) of VST Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2007

		Unaudited	
		Six months ended	
		30 September	
		2007	2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	2,803,160	1,949,636
Cost of sales		(2,664,258)	(1,845,373)
Gross profit		138,902	104,263
Other gains, net	3	9,513	2,862
Administrative expenses		(20,921)	(16,128)
Operating profit	4	127,494	90,997
Finance costs		(2,147)	(1,796)
Profit before taxation		125,347	89,201
Taxation	5	(21,154)	(15,498)
Profit for the period attributable to equity holders of the Company		104,193	73,703
Dividend	6	–	28,347
Earnings per share for profit attributable to equity holders of the Company	7		
– Basic		11.18 cents	8.43 cents
– Diluted		11.18 cents	8.18 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

		Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,430	2,793
Available-for-sale financial assets		24,954	9,467
Deposit	9	66,247	—
		<u>93,631</u>	<u>12,260</u>
CURRENT ASSETS			
Trade receivables	10	500,058	346,434
Prepayments and other receivables		5,646	3,620
Inventories		220,080	287,661
Pledged bank deposits		10,300	10,000
Cash and cash equivalents		84,491	113,926
		<u>820,575</u>	<u>761,641</u>
TOTAL ASSETS		<u><u>914,206</u></u>	<u><u>773,901</u></u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	11	93,167	93,167
Reserves		390,450	283,069
Proposed dividend		—	42,857
		<u>483,617</u>	<u>419,093</u>
TOTAL EQUITY		<u><u>483,617</u></u>	<u><u>419,093</u></u>

		Unaudited As at 30 September 2007 <i>HK\$'000</i>	Audited As at 31 March 2007 <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Deferred taxation		<u>257</u>	<u>200</u>
		<u>257</u>	<u>200</u>
CURRENT LIABILITIES			
Trade payables	12	309,171	333,235
Borrowings	13	84,571	—
Accruals and other payables		3,759	3,691
Taxation payable		<u>32,831</u>	<u>17,682</u>
		<u>430,332</u>	<u>354,608</u>
TOTAL LIABILITIES		<u>430,589</u>	<u>354,808</u>
TOTAL EQUITY AND LIABILITIES		<u>914,206</u>	<u>773,901</u>
NET CURRENT ASSETS		<u>390,243</u>	<u>407,033</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>483,874</u>	<u>419,293</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2007*

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(1,790)	(86,824)
Net cash (used in)/generated from investing activities	(69,550)	404
Net cash generated from financing activities	41,714	2,614
Net decrease in cash and cash equivalents	(29,626)	(83,806)
Cash and cash equivalents at the beginning of the period	113,926	219,129
Effect of foreign exchange rate changes	191	—
Cash and cash equivalents at the end of the period	84,491	135,323

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Share capital (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	Retained earnings (unaudited) HK\$'000	Proposed dividends (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance at 1 April 2007	93,167	91,565	191,504	42,857	419,093
Net profit for the period	–	–	104,193	–	104,193
Exchange differences	–	701	–	–	701
Realisation of reserve upon disposal of available-for-sale financial assets	–	(2,467)	–	–	(2,467)
Increase in fair value of available- for-sale financial assets	–	4,954	–	–	4,954
2007 final dividend – paid	–	–	–	(42,857)	(42,857)
Balance at 30 September 2007	<u>93,167</u>	<u>94,753</u>	<u>295,697</u>	<u>–</u>	<u>483,617</u>
Balance at 1 April 2006	84,000	31,407	102,841	39,863	258,111
Net profit for the period	–	–	73,703	–	73,703
New issue of ordinary shares upon conversion of convertible bonds	4,583	28,341	–	–	32,924
Convertible bonds, equity component, net of tax	–	(498)	–	–	(498)
Exchange differences	–	(53)	–	–	(53)
2006 final dividend – paid	–	–	(396)	(39,863)	(40,259)
2007 interim dividend – proposed	–	–	(28,347)	28,347	–
Balance at 30 September 2006	<u>88,583</u>	<u>59,197</u>	<u>147,801</u>	<u>28,347</u>	<u>323,928</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED ACCOUNTS

1. Basis of presentation and accounting policies

The unaudited condensed consolidated accounts for the six months ended 30 September 2007 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 (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In preparing the unaudited condensed consolidated accounts, the same basis of presentation, accounting policies and methods of computation as set out in the annual report for the year ended 31 March 2007 had been consistently applied except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and has adopted the first time for the current period’s condensed consolidated accounts:

- Amendment to HKAS 1, “Capital disclosures”
- HKFRS 7, “Financial statements: Disclosures”
- 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 the above standard, amendment to standard and interpretations has no material impact on the Group’s condensed consolidated accounts.

2. Segment information

The Group is operating in a single business segment of distribution of information technology products and most of the sales of the Group’s inventories are concluded in Hong Kong. Therefore, no analysis on consolidated turnover and consolidated contributions to profit before taxation by principal activity and by geographical location for the six months ended 30 September 2007 is presented in this report.

3. Other gains, net

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$’000	HK\$’000
Gain on disposal of available-for-sale financial assets	8,035	–
Bank interest income	1,478	2,997
Loss on disposal of property, plant and equipment	–	(135)
	<u>9,513</u>	<u>2,862</u>

4. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Depreciation	460	520
Provision and write-off of doubtful debts	245	1,226
Write-back of obsolete inventories	(263)	(2,726)
	<u> </u>	<u> </u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

Deferred tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

Taxation in the People's Republic of China ("PRC") represents the Enterprise Income Tax ("EIT") related to two subsidiaries and certain representative offices established by the Group in the PRC. The subsidiaries in the PRC are subject to EIT rate of 15% (2006: 15%). The EIT for the representative offices has been calculated based on the estimated deemed taxable profit for the period in accordance with the relevant PRC tax laws at the rate prevailing in the PRC municipal jurisdiction.

The amount of taxation charged to the condensed unaudited consolidated profit and loss account represents:

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong profits tax	21,050	15,406
PRC income tax	47	56
Deferred taxation	57	36
	<u> </u>	<u> </u>
	<u>21,154</u>	<u>15,498</u>

6. Dividend

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Interim, proposed dividend of HK\$Nil (2006: HK3.2 cents) per ordinary share	<u> </u>	<u>28,347</u>

7. Earnings per share for profit attributable to equity holders of the Company

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders and the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Profit attributable to equity holders of the Company	<u>104,193</u>	<u>73,703</u>
Weighted average number of ordinary shares in issue (thousand)	<u>931,667</u>	<u>874,312</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

During the six months period ended 30 September 2006, the Company had one category of dilutive potential ordinary shares which is convertible bonds.

The convertible bonds were assumed to have been converted into ordinary shares and the net profit was adjusted to eliminate the interest expense less the tax effect. The weighted average number of ordinary shares in issue was compared with the number of shares that would have been issued assuming the conversion of the convertible bonds.

Up to 21 December 2006, all the convertible bonds had been converted into new shares. Thereafter, the Company did not have dilutive potential ordinary shares.

	Unaudited Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Profit attributable to equity holders of the Company	104,193	73,703
Interest expenses on convertible bonds (net of tax)	<u>–</u>	<u>1,576</u>
Profit used to determine diluted earnings per share	<u>104,193</u>	<u>75,279</u>
Weighted average number of ordinary shares in issue (thousand)	931,667	874,312
Adjustment for – assumed conversion of convertible bonds (thousand)	<u>–</u>	<u>45,834</u>
	<u>931,667</u>	<u>920,146</u>

8. Property, plant and equipment

During the period, the Group acquired property, plant and equipment amounting to approximately HK\$233,000 (31 March 2007: HK\$1,580,000). The disposal of property, plant and equipment during the period amounted to HK\$136,000 (31 March 2007: HK\$317,000).

9. Deposit

It represents a deposit paid to certain shareholders (the “Vendors”) of ECS Holdings Limited (“ECS”) for the acquisition of ECS by the Company. On 7 August 2007, the Company and the Vendors of ECS entered into an agreement (“Agreement”) to purchase 191,604,009 shares in ECS (“ECS Shares”) representing approximately 52.5% of the entire issued capital of ECS at a price per ECS Share of S\$0.668 (approximately HK\$3.55).

10. Trade receivables

The Group grants credit period to customers ranging from 7 to 60 days which may be extended for selected customers depending on their trade volume and settlement history with the Group. The ageing analysis of trade receivables (net of provision for doubtful receivable) is summarised as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
0 to 30 days	473,603	345,209
31 to 60 days	26,406	25
61 to 90 days	–	–
Over 90 days	49	1,200
	<u>500,058</u>	<u>346,434</u>

11. Share capital

	Unaudited 30 September 2007	Audited 31 March 2007
	<i>Number of shares</i>	<i>Number of shares</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised (ordinary shares of HK\$0.10 each)	<u>2,000,000,000</u>	<u>2,000,000,000</u>
	<u>200,000</u>	<u>200,000</u>
Issued and fully paid (ordinary shares of HK\$0.10 each)	<u>931,666,666</u>	<u>931,666,666</u>
	<u>93,167</u>	<u>93,167</u>

Share option scheme:

On 17 April 2002, the Company approved a share option scheme (the “Share Option Scheme”) under which the Directors may, at their discretion, invite employees (including both full time and part time employees, and executive Directors), non-executive Directors, suppliers, customers and other corporations or individuals that provide support to the Group (as defined in the Share Option Scheme) to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of the Company. The subscription price will be determined by the Company’s Board of Directors and will not be less than the higher of (i) the nominal value of the Company’s ordinary shares; (ii) the closing price of the Company’s ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer; and (iii) the average closing price of the Company’s ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer. The Share Option Scheme became effective upon the listing of the Company’s shares on 9 May 2002. No option pursuant to the Share Option Scheme has been granted up to 30 September 2007.

12. Trade payables

The ageing analysis of trade payables is summarised as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
0 to 60 days	<u>309,171</u>	<u>333,235</u>

13. Borrowings

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Short-term bank loan, unsecured	65,832	–
Import bank loans, unsecured	18,739	–
	<u>84,571</u>	<u>–</u>
The maturity of the above loans: Within one year	<u>84,571</u>	<u>–</u>

Interest expense on the above borrowings amounted to HK\$2,147,000 (six months ended 30 September 2006: HK\$1,796,000) has been charged in the profit and loss account.

14. Events after the balance sheet date

The following significant transactions took place subsequent to the period ended 30 September 2007:

(a) Very Substantial Acquisition

On 30 October 2007, the purchase of the 191,604,009 ECS Shares were completed and the total consideration paid in cash to the Vendors was approximately S\$127,990,000 (or approximately HK\$680,907,000).

Upon completion of the purchase of the 191,604,009 ECS Shares, the Company made a mandatory cash offer (“Offer”) in Singapore to acquire the remaining ECS Shares. The Offer was based on a price per ECS Share of S\$0.668 (approximately HK\$3.55).

The Offer is expected to be completed by the end of December 2007. Assuming that the Offer to the remaining shareholders of ECS is accepted in full, the total consideration to be paid in cash is approximately S\$118,749,000 (or approximately HK\$631,745,000).

The acquisition of the ECS Shares pursuant to the Agreement and the Offer constitutes a very substantial acquisition under the Listing Rules, which was approved by the shareholders of the Company in the extraordinary general meeting held on 23 October 2007.

(b) Placing of existing shares and top-up subscription of new shares

For the purpose of funding the acquisition described in the preceding paragraph, the Company entered into a placing agreement dated 10 October 2007 (“Placing Agreement”) with, among others, L & L Limited (a shareholder of the Company) (“L & L Limited”) and two placing agents namely Merrill Lynch Far East Limited and Macquarie Securities Limited (“Placing Agents”), and a subscription agreement

dated 10 October 2007 ("Subscription Agreement") with L & L Limited. Pursuant to the Placing Agreement, L & L Limited placed 186,000,000 shares in the Company through the Placing Agents to independent third parties. Pursuant to the Subscription Agreement, L & L Limited then subscribed for the same number of shares in the Company by way of top-up subscription. The price for the shares placed and subscribed was HK\$3.05 per Share. The net proceeds received by the Company is approximately HK\$552,004,000.

The Shares issued pursuant to the Subscription Agreement ranked pari passu among themselves and with Shares in issue and the Placing was fully underwritten by the Placing Agents.

(c) Raising of a bridge loan

For the purpose of funding the acquisition described in the preceding paragraphs, the Company entered into a facility agreement on 23 October 2007 with ABN AMRO Bank N.V., Hong Kong branch, by which a bridge loan with maximum amount of HK\$800,000,000 was arranged for partial settlement of cash consideration of the acquisition.

As security for the bridge loan, the ECS Shares acquired or to be acquired by the Company was pledged to the bank. The bridge loan bears interest at the Hong Kong Inter Bank Offered Rate plus 2% per annum for the first three months and at the Hong Kong Inter Bank Offered Rate plus 3% per annum for the second three months and is repayable in full on 30 April 2008.

15. Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 September 2007 (31 March 2007: Nil).

16. Commitments under operating leases

As at 30 September 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Not later than one year	3,950	4,723
Later than one year but not later than five years	2,005	3,191
	<u>5,955</u>	<u>7,914</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's unaudited consolidated turnover for the six months ended 30 September 2007 amounted to approximately HK\$2,803,160,000 (2006: approximately HK\$1,949,636,000), representing an increase of approximately 44% compared with that of the corresponding period last year. Unaudited consolidated net profit attributable to equity holders for the six months ended 30 September 2007 amounted to approximately HK\$104,193,000 (2006: approximately HK\$73,703,000), representing an increase of around 41% as compared with that of the corresponding period last year. The basic earnings per share for the six months ended 30 September 2007 amounted to approximately HK11.18 cents (2006: approximately HK8.43 cents) per share, representing an increase of around 33% as compared with that of the same period last year.

Business Review

The Group has consistently reported strong growth and fruitful returns to shareholders by adopting industry-leading management standard, introducing new product lines and delivering value-added services to customers along with the booming information technology ("IT") industry in the PRC. During the period under review, the Group recorded remarkable results as detailed in the Financial Review section.

In order to strengthen the Group's market competitiveness, we aimed to widen our product range and provide more choices in the IT products market for our customers. During the period under review, our Group has successfully obtained the authorised distributorship in the PRC from A-DATA Technology Co., which is Taiwan's largest and the world's second largest DRAM memory module provider. Furthermore, our group's distribution strength and brand promotion were recognised by the world's leading Personal Computer ("PC") manufacturers. In August 2007, our group secured the authorised distributorship for IBM ThinkPad notebook series in the PRC from Lenovo Group Ltd., the largest PC manufacturer in the PRC. For our current products distributed, the Group consistently strengthened the operations in China and achieved outstanding performance, and our endeavors were recognised by our vendors. During the period under review, the Group was once again honorably bestowed by Seagate the "Outstanding Achievement: Personal Storage – Seagate FY 2007".

The Group's strong and sustainable growth is initiated by our well-rounded operational model and industry-leading management expertise. By effectively managing our distribution network, we have maximised synergies between our distribution channels, achieving "win-win" in terms of raising the Group's profit margin as well as protecting the interest of distributors. Riding on the solid cooperative relationships with our suppliers and distributors, our Group has mastered market dominance position that effectively enhanced gross margin of our products and at the same time maintained lower than industry average inventory and accounts receivable turnover days.

Prospects

The robust economy in the PRC makes PRC the focus of the world. With the steps of Beijing 2008 Olympic Games and the Shanghai 2010 World Expo, the IT sector has been one of the fastest growing industries. At the same time, pursuant to the release of the Microsoft Vista during early 2007, there will be a large demand for IT products in the region. Our Group will capitalise such positive sentiment and increase its sales by proactively seeking opportunities to strengthen our distribution network through expanding the sales network in Hong Kong and the PRC.

Leveraging on its internationally reputable IT product manufacturers including Seagate, AMD, and Western Digital in the global IT market, our Group has positioned itself as the distributor of high-quality and reliable IT products and has earned considerable trust from its customers. In order to enhance the market share of our products distributed, our Group will closely cooperate with our suppliers, and consistently strengthen and optimise the operations in the PRC.

During the period under review, our Group has obtained the authorised distributorships for A-DATA Technology Co.'s A-DATA memory and successfully expanded our product line to PC. These demonstrated our powerful capabilities of distributing IT products. Our Group will also continue its endless pursuit to source for a variety of modern and functional digital products for its customers. Through the introduction of new products, our Group is able to diversify its revenue stream and appeal to a wide range of customer preferences. At the same time, our Group will increase the profitability by reaching economies of scale.

During the period under review, our Group announced a very substantial acquisition of a Singapore listed company, ECS Holdings Limited ("ECS"). On 7 August 2007, the Company and the vendor entered into an agreement to purchase 52.5% of the entire issued capital of ECS. ECS is an investment holding company and its subsidiaries are principally engaged in the business of distribution of IT products and provision of a range of enabling infrastructure products, IT services and IT products. Headquartered in Singapore, it has 32 branches locating in the PRC, Indonesia, Malaysia, the Philippine and Thailand. We believe that through the acquisition, the Group should be able to effectively expand its range of products and services as well as increase its penetration into different Asian markets. The acquisition of ECS is expected to create synergies due to economies of scale and sharing of costs and also enhance our overall relationships with certain customers and suppliers. Upon the completion of acquisition, the Group will become one of the largest IT products distributors in Asia Pacific region.

The Group's experienced management has persistently improved and streamlined the managing method to reach industry-leading standard. The management believes the Group will seize the opportunities of robust economy growth in the PRC and strengthen the operations in PRC market. In addition to the rapidly expansion of geographical coverage and enrichment of product portfolio through acquisition, the Group will endeavour to enhance its value by various measures including effective cost control, risk management, acute responsiveness to market changes, strong capabilities in sales and marketing in order to stay ahead of the competition and achieve even more promising returns for its shareholders in the coming years.

Liquidity and Financial Resources

The Group's treasury policies adopted for the six months ended 30 September 2007 are consistent with those disclosed in the annual report of the Company for the year ended 31 March 2007.

The Group recorded total current assets of approximately HK\$820.6 million as at 30 September 2007 (31 March 2007: approximately HK\$761.6 million) and total current liabilities of approximately HK\$430.3 million as at 30 September 2007 (31 March 2007: approximately HK\$354.6 million). Current assets included cash and cash equivalents of approximately HK\$84.5 million (31 March 2007: HK\$113.9 million) were mainly denominated in Hong Kong dollars and United States dollars. The Group's bank borrowings, which were denominated in United States dollars, amounted to approximately HK\$84.6 million as at 30 September 2007 (31 March 2007: nil), and are repayable within one year.

As at 30 September 2007, the gearing ratio, calculated as the total borrowings less pledged bank deposits and divided by shareholders' equity, was 0.15 (31 March 2007: Nil).

The current ratio of the Group, calculated as the total current assets divided by the total current liabilities, was approximately 1.91 times as at 30 September 2007 (31 March 2007: approximately 2.15 times).

Treasury Policies

The Group generally finances its operations with internally generated resources and banking facilities provided by banks in Hong Kong. The bank borrowings of the Group were predominantly subject to floating interest rates.

Cash and bank deposits of the Group were mainly denominated in Hong Kong dollars and United States dollars.

Transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars.

Employees

As at 30 September 2007, the Group had 181 (2006: 64) full time employees. The remuneration paid for the six months ended 30 September 2007 amounted to approximately HK\$8,249,000 (2006: HK\$7,003,000).

The Group remunerated its employees mainly based on industrial practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees with reference to the Group's performance as well as the individual performance. Other benefits included medical and retirement schemes. In addition, share option may also be granted from time to time in accordance with the term of the Company's approved share option scheme. During the period under review, no share option had been granted under the existing share option scheme.

Save as disclosed herewith, no information in relation to the Group's performance has changed materially from the information disclosed in the annual report of the Company for the year ended 31 March 2007.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, the interests of the directors (the "Directors") and chief executives of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Li Jialin	Company	Beneficial owner	42,296,000 ordinary shares Long position	4.54%
	Company	Interest of a controlled corporation	241,500,000 ordinary shares Long position (<i>Note 1</i>)	25.92%
	Company	Family interest	165,000,000 ordinary shares Long position (<i>Note 2</i>)	17.71%

Notes:

- 241,500,000 shares of the Company are held by L & L Limited, the entire issued share capital of which is equally held by Mr. Li Jialin (the Chairman, Chief Executive Officer and an executive Director of the Company) and his spouse, Madam Liu Li.
- 165,000,000 shares of the Company are held by Madam Liu Li, the spouse of Mr. Li Jialin (the Chairman, Chief Executive Officer and Executive Director of the Company).

Save as disclosed above, as at 30 September 2007, none of the Directors nor the chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions of which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2007, so far is known to the Directors, the following persons (not being a director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were 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 meeting of any other members of the Group:

Name	Capacity	Class and number of securities	Approximate percentage of shareholding
L & L Limited	Beneficial owner	241,500,000 ordinary shares Long position (<i>Note 1</i>)	25.92%
Liu Li	Beneficial owner	165,000,000 ordinary shares Long position	17.71%
	Family interest	42,296,000 ordinary shares Long position (<i>Note 2</i>)	4.54%
	Interest of a controlled corporation	241,500,000 ordinary shares Long position (<i>Note 3</i>)	25.92%
CKC Holdings Limited	Beneficial owner	62,950,000 ordinary shares Long position (<i>Note 4</i>)	6.76%
ABN AMRO Bank N.V.	Interest of controlled corporation	90,805,333 ordinary shares Long position (<i>Note 5</i>)	9.75%
Zhang Qing	Beneficial owner	3,040,000 ordinary shares Long position	0.32%
	Interest of controlled corporation	47,521,333 ordinary shares Long position (<i>Note 6</i>)	5.10%
Atlantis Investment Management Limited	Beneficial owner	51,822,000 ordinary shares Long Position	5.56%

Notes:

1. The entire issued share capital of L & L Limited is held equally by Mr. Li Jialin (the Chairman, Chief Executive Officer and an executive Director of the Company) and his spouse, Madam Liu Li.
2. 42,296,000 shares of the Company are held by Mr. Li Jialin (the Chairman, Chief Executive Officer and an executive Director of the Company), the spouse of Madam Liu Li.

3. 241,500,000 shares of the Company are held by L & L Limited, the entire issued share capital of which is equally held by Madam Liu Li and her husband, Mr. Li Jialin (the Chairman, Chief Executive Officer and an executive Director of the Company).
4. The entire issued share capital of CKC Holdings Limited is held by Infinity Fortune Limited, a company incorporated in the British Virgin Islands, as a trustee of Infinity Fortune Unit Trust. Infinity Fortune Unit Trust is a unit trust of which 1 unit is held by Madam Kwan How Yin, the spouse of Mr. Cheng Kam Chung and 9,999 units are held by HSBC International Trustee Limited as trustee for the CKC Family Trust, a discretionary trust which objects include Madam Kwan How Yin and her children. In addition, 9,000,000 shares of the Company are held by Mr. Cheng Kam Chung. The total shareholding held by CKC Holdings Limited and Mr. Cheng Kam Chung as at 30 September 2007 is approximately 7.72%. Mr. Cheng Kam Chung was a Vice-Chairman and non-executive Director of the Company until he resigned on 10 August 2007. Neither Mr. Cheng Kam Chung nor Madam Kwan How Yin currently holds any position or role in the Group.
5. These shares are held beneficially by ABN AMRO Holding NV.
6. These shares are held by Potent Holdings Limited, the entire issued share capital of which is held by Mr. Zhang Qing.

Save as disclosed above, as at 30 September 2007, so far is known to the Directors, there were no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were 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 meeting of any other members of the Group, or any options in respect of such capital.

DIRECTORS' RIGHTS TO ACQUIRE SHARES IN THE COMPANY

Under the terms of the Company's Share Option Scheme, the Board may, at their discretion, invite employees (including both full time and part time employees, and executive Directors), non-executive Directors, suppliers, customers and other corporations or individuals that provide support to the Group (as defined in the Share Option Scheme) to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of the Company. The Share Option Scheme became effective upon the listing of the Company's shares on 9 May 2002. No option has been granted to the Directors during the period under review.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2007, the Company has complied with the code provisions on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules which came into effect on 1 January 2005, with deviations from certain code provisions as explained below.

Under the code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The roles of the Chairman and the CEO of the Company are not separated and are performed by the same individual, Mr. Li Jialin. The Directors will meet regularly to consider major matters affecting the operations of the Company. The Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believes that this structure will enable the Group to make and implement decisions promptly and efficiently.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of the companies comprising the Group had purchased, sold or redeemed any of the Company's shares.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in appendix 10 of the Listing Rules. Following specific enquiry, each of the Directors confirmed that he has complied with the Model Code during the period.

INTERIM DIVIDEND

The Directors do not recommend any interim dividend for the six months ended 30 September 2007 (2006: interim dividend of HK3.2 cents per share).

AUDIT COMMITTEE

The Company has established an audit committee on 17 April 2002 consisting of four independent non-executive Directors with written terms of reference in compliance with appendix 16 of the Listing Rules. The primary duties of the audit committee are to review and supervise the Group's internal control and financial reporting process (including the interim announcement before recommending them to the Board of Directors for approval). The Group's unaudited results for the six months ended 30 September 2007 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 29 September 2005 consisting of four independent non-executive Directors with written terms of reference in compliance with the Code on Corporate Governance Practices of the Listing Rules. The primary duties of the remuneration committee regarding the remuneration of directors and senior management include making remuneration recommendations, determining the specific remuneration packages, reviewing and approving performance-based remuneration, termination compensation, dismissal or removal compensation arrangements, and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

By Order of the Board

Li Jialin

Chairman and Chief Executive Officer

Hong Kong, 19 November 2007

As at the date hereof, the Board comprises Mr. Li Jialin and Mr. William Choo as executive directors; and Mr. Ni Zhenwei, Dr. Chan Po Fun Peter, Madam Hui Hiu Fai, and Mr. Li Wei as independent non-executive directors.

* *For identification purpose only*