福田實業(集團)有限公司

Fountain Set (Holdings) Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 420)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 29TH FEBRUARY, 2008

The Board of Directors would like to announce that the unaudited condensed consolidated financial statements of the Company and its subsidiaries ("the Group") for the six months ended 29th February, 2008 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 29th February, 2008 *HK$'000* (unaudited)**	Six months ended 28th February, 2007 *HK$'000* (unaudited)
Revenue	3	**3,074,168**	2,976,417
Cost of sales		**(2,618,154)**	(2,411,646)
Gross profit		**456,014**	564,771
Other income		**29,544**	61,853
Distribution and selling expenses		**(154,719)**	(158,026)
Administrative expenses		**(353,519)**	(330,471)
Other expenses		**(27,928)**	(3,947)
Finance costs	4	**(52,623)**	(47,777)
Impairment losses on property, plant and equipment	9,13	**(238,209)**	—
Provision for employee termination benefits	12,13	**(44,135)**	—
Relocation cost of plant and equipment	12,13	**(2,130)**	—
(Loss) profit before taxation		**(387,705)**	86,403
Income tax credit (charge)	5	**5,216**	(7,783)
(Loss) profit for the period	6,13	**(382,489)**	78,620
Attributable to:			
Shareholders of the Company		**(398,998)**	60,244
Minority shareholders		**16,509**	18,376
		(382,489)	78,620
Dividend paid	7	**31,760**	51,611
Basic (loss) earnings per share	8	**(HK50.3 cents)**	HK7.6 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	29th February, 2008 HK$'000 (unaudited)	31st August, 2007 HK$'000 (audited)
Non-current assets			
Investment properties		**11,427**	11,634
Property, plant and equipment	9	**1,975,934**	2,247,306
Prepaid lease payments — non-current portion	9	**76,766**	72,606
Deferred tax assets		**18,572**	15,889
		2,082,699	2,347,435
Current assets			
Inventories		**1,691,045**	1,822,633
Prepaid lease payments — current portion	9	**1,894**	1,905
Trade and other receivables	10	**1,325,773**	1,654,461
Amounts due from jointly controlled entities		**12,607**	12,429
Derivative financial instruments		**15,676**	12,272
Tax recoverable		**31,445**	8,219
Bank deposits with restricted use		**2,109**	2,485
Short-term bank deposits		**445,003**	443,735
Bank balances and cash		**305,025**	345,065
		3,830,577	4,303,204
Assets classified as held for sale	9	**155,017**	—
		3,985,594	4,303,204
Current liabilities			
Trade and other payables	11	**664,792**	781,097
Bills payable	11	**215,087**	499,530
Amounts due to minority shareholders		**53,400**	40,050
Derivative financial instruments		**9,052**	496
Tax payable		**138**	50,981
Restructuring provisions	12	**46,265**	—
Bank borrowings — due within one year		**586,755**	406,318
Bank overdrafts		**12,901**	2,561
Obligations under finance leases — due within one year		**—**	439
		1,588,390	1,781,472
Net current assets		**2,397,204**	2,521,732
Total assets less current liabilities		**4,479,903**	4,869,167

	29th February, 2008 HK$'000 (unaudited)	31st August, 2007 HK$'000 (audited)
Non-current liabilities		
Bank borrowings		
— due after one year	**1,802,209**	1,776,823
Deferred tax liabilities	**7,094**	7,888
	1,809,303	1,784,711
Net assets	**2,670,600**	3,084,456
Capital and reserves		
Share capital	**158,802**	158,802
Reserves	**2,282,471**	2,706,858
Equity attributable to shareholders of the Company	**2,441,273**	2,865,660
Minority interests	**229,327**	218,796
Total equity	**2,670,600**	3,084,456

Notes

1. Basis of Preparation

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

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of annual financial statements of the Group for the year ended 31st August, 2007. In addition, the Group has adopted the following accounting policy.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

A provision for restructuring is recognised in the balance sheet on conditions that the Group has a detailed formal plan and has raised a valid expectation in those affected that the plan will be carried out, by starting to implement that plan or by announcing that its main features to those affected by it.

For provision in relation to employee termination benefits where the Group has a detailed formal plan and is without realistic possibility of withdrawal, the liability and expenses are recognised when the Group is committed to terminate the employment of an employee or group of employees before their normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st September, 2007.

The adoption of these new HKFRSs has 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 is required.

3. Segment Information

The Group's primary format for reporting segment information is geographical segments (based on location of customers). Others mainly represent Taiwan, Singapore and Macao.

Six months ended 29th February, 2008

	Hong Kong	The People's Republic of China ("The PRC")	Korea	Sri Lanka	America	Europe	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	1,061,395	227,645	398,102	401,936	208,717	26,668	749,705	—	3,074,168
Inter-segment sales *(note)*	2,516,324	1,405,527	—	281,693	14,299	—	30,868	(4,248,711)	—
Total revenue	3,577,719	1,633,172	398,102	683,629	223,016	26,668	780,573	(4,248,711)	3,074,168
RESULTS									
Segment results	102,267	20,020	38,749	74,498	13,059	1,870	69,448		319,911
Interest income									7,266
Unallocated expenses									(662,259)
Finance costs									(52,623)
Loss before taxation									(387,705)
Income tax credit									5,216
Loss for the period									(382,489)

Note: Inter-segment sales are charged at prices with reference to the prevailing market rates.

Six months ended 28th February, 2007

	Hong Kong	The PRC	Korea	Sri Lanka	America	Europe	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	1,193,349	119,801	413,054	310,936	281,497	14,981	642,799	—	2,976,417
Inter-segment sales *(note)*	2,481,975	1,533,150	—	192,854	26,066	—	34,375	(4,268,420)	—
Total revenue	3,675,324	1,652,951	413,054	503,790	307,563	14,981	677,174	(4,268,420)	2,976,417
RESULTS									
Segment results	164,148	15,417	56,436	70,400	40,733	1,858	88,346		437,338
Interest income									11,569
Unallocated income									19,691
Unallocated expenses									(334,418)
Finance costs									(47,777)
Profit before taxation									86,403
Income tax charge									(7,783)
Profit for the period									78,620

Note: Inter-segment sales are charged at prices with reference to the prevailing market rates.

4. Finance Costs

	Six months ended 29th February, 2008	Six months ended 28th February, 2007
	HK$'000	*HK$'000*
Finance costs on:		
Bank borrowings wholly repayable within five years	**52,780**	39,951
Bank borrowings not wholly repayable within five years	**801**	10,376
Finance leases wholly repayable within five years	**4**	108
Total finance costs	**53,585**	50,435
Less: amounts capitalised	**(962)**	(2,658)
	52,623	47,777

Finance costs capitalised during the period arose on the general borrowing pool and have been calculated by applying a capitalisation rate of 4.61% (six months ended 28th February, 2007: 4.73%) per annum to expenditure on qualifying assets.

5. Income Tax (Credit) Charge

	Six months ended 29th February, 2008	Six months ended 28th February, 2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**1,649**	3,520
Other jurisdictions	**(3,388)**	2,426
	(1,739)	5,946
Deferred tax:		
Current period	**(3,477)**	1,837
Taxation attributable to the Group	**(5,216)**	7,783

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are entitled to exemption from the PRC enterprise income tax for two calendar years commencing from their first profit-making year of operation and thereafter, they are entitled to 50% relief from the PRC enterprise income tax for the following three calendar years. The reduced tax rate for the relief period is 12% and this tax reduction will be expired on 31st December, 2008. In addition, certain PRC subsidiaries of the Company are entitled to a 50% reduction in tax rate in the calendar year as over 70% of their revenue are for export purposes. The reduced tax rate is 12% and this tax reduction expired on 31st December, 2007.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "Tax Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the Tax Law. The Tax Law and Implementation Regulations enact the tax rate of 25% for certain of the PRC subsidiaries of the Company from 1st January, 2008, while certain of the PRC subsidiaries of the Company will continue to enjoy the preferential tax rate of 12% until 31st December, 2008.

Pursuant to the relevant laws and regulations in Sri Lanka, the profit generated from a subsidiary of the Company is entitled to exemption from the Sri Lanka income tax until 31st August, 2015. Accordingly, no provision for the income tax was made on the profit for the current period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In February 2008, the Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on the Company and its subsidiaries of the Company for the years of assessment from 2001/02 onwards. In March 2008, notices of estimated additional assessment (the "Assessments") for the year of assessment 2001/02 in an aggregate amount of HK$14,352,000 were issued to the Company and certain subsidiaries of the Company. Objections against the Assessments were lodged and the whole amount was heldover. The IRD has commenced to obtain information and documents from the Group for the purpose of this tax audit. The scope and outcome of the tax audit cannot be readily ascertained at this stage. The directors of the Company believe that no significant amount of profits tax is payable by the Group in respect of the Company and relevant subsidiaries and no provision for Hong Kong profits tax in respect of the protective assessment is necessary.

6. **(Loss) Profit for the Period**

	Six months ended 29th February, 2008	Six months ended 28th February, 2007
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**987**	865
Depreciation of investment properties	**207**	185
Depreciation of property, plant and equipment	**134,098**	122,110
Total amortisation and depreciation	**135,292**	123,160
Loss on disposal of property, plant and equipment	**2,027**	2,300
Net foreign exchange loss	**20,749**	1,647
Loss (gain) arising from changes in fair value of derivative financial instruments	**5,152**	(2,564)
Interest income	**(7,266)**	(11,569)
Net rental income from investment properties	**(2,036)**	(1,576)

7. **Dividend Paid**

	Six months ended 29th February, 2008	Six months ended 28th February, 2007
	HK$'000	*HK$'000*
Final, paid - HK4.0 cents for 2007 (2006: HK6.5 cents) per share	**31,760**	51,611

The directors have determined that an interim dividend of HK1.0 cent (2007: HK4.0 cents) per share will be payable to the shareholders of the Company whose names appear in the register of members on 20th June, 2008.

8. **Basic (Loss) Earnings Per Share**

The calculation of basic (loss) earnings per share attributable to the shareholders of the Company is based on the loss for the period attributable to shareholders of the Company of approximately HK$398,998,000 (six months ended 28th February, 2007: profit of HK$60,244,000) and on 794,010,960 (six months ended 28th February, 2007: 794,010,960) ordinary shares in issue during the period.

9. Movements in Property, Plant and Equipment and Prepaid Lease Payments

For the period ended 29th February, 2008, the Group incurred expenditure of approximately HK$219,878,000 (six months ended 28th February, 2007: HK$188,307,000) on property, plant and equipment and prepaid lease payments to expand and upgrade the Group's manufacturing facilities.

Due to significant costs of replacement and continuous maintenance on existing facilities and infrastructure including electricity generators and effluent treatment facilities, which were outmoded and aged, of Dongguan Fuan Textiles Limited ("Dongguan Fuan"), a PRC subsidiary of the Company, management of the Group decided to close down certain divisions of Dongguan Fuan making particular products and accordingly, production capacity of Dongguan Fuan was significantly narrowed down during the period. A detailed plan for closing down these divisions was agreed by the board of directors and letters of employment termination were sent to a significant number of employees during the current period. The Group started to implement this closure plan during the period. As at 29th February, 2008, this closure plan is still in the process and management determined that the recoverable amount of the relevant cash-generating unit (the "CGU") which comprises property, plant and equipment of Dongguan Fuan is less than its carrying amount. Accordingly, an impairment loss of approximately HK$238,209,000 was recognised by the Group.

The recoverable amount of the CGU is determined based on fair value less costs to sell calculation by reference to the consideration of a proposed disposal from potential buyers who are independent third parties. Accordingly, the property, plant and equipment in aggregate amounting to approximately HK$155,017,000 were reclassified as assets held for sale as at 29th February, 2008.

10. Trade and Other Receivables

The Group allows an average credit period of 45 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	29th February, 2008	31st August, 2007
	HK$'000	*HK$'000*
Not yet due	**559,872**	799,187
Overdue 1 - 30 days	**301,278**	312,492
Overdue 31 - 60 days	**128,247**	205,387
Overdue > 60 days	**110,679**	128,380
	1,100,076	1,445,446

11. **Trade and Other Payables and Bills Payable**

The following is an aged analysis of trade payables at the balance sheet date:

	29th February, 2008 *HK$'000*	31st August, 2007 *HK$'000*
Not yet due	**312,511**	415,778
Overdue 1 - 30 days	**38,970**	39,463
Overdue 31 - 60 days	**22,459**	17,609
Overdue > 60 days	**29,120**	11,060
	403,060	483,910

All bills payable of the Group are not yet due at the balance sheet dates.

12. **Restructuring Provisions**

During the period, due to the closure plan of certain divisions of Dongguan Fuan, management of the Group decided to terminate employments of a significant number of employees. Accordingly, a provision for employee termination benefits of approximately HK$44,135,000 was recognised by the Group for the period. The provision for employee termination benefits was fully settled subsequent to the balance sheet date.

In addition, under the current closure plan, certain plant and equipment of Dongguan Fuan was identified for relocation to other factories of the Group. Accordingly, a restructuring cost in relation to relocation of plant and equipment of Dongguan Fuan amounting to approximately HK$2,130,000 was recognised by the Group during the period. The provision is expected to be utilised within one year from the balance sheet date.

Details of the closure plan are disclosed in note 9.

13. **Analysis of (Loss) Profit for the Period**

Due to significant costs of replacement and continuous maintenance on existing facilities and infrastructure of Dongguan Fuan, management of the Group decided to close down certain divisions of Dongguan Fuan and accordingly, division closure costs in relation to the closure plan of Dongguan Fuan amounting to approximately HK$310,867,000 was recognised by the Group for the period.

	Six months ended 29th February, 2008 *HK$'000*	Six months ended 28th February, 2007 *HK$'000*
(Loss) profit for the period before division closure costs of Dongguan Fuan	**(71,622)**	78,620
Division closure costs of Dongguan Fuan (net of tax), including impairment losses on property, plant and equipment, provision for employee termination benefits, relocation cost of plant and equipment and write down of inventories	**(310,867)**	—
	(382,489)	78,620

BUSINESS REVIEW

We would like to report to shareholders the results of the Group for the six months ended 29th February, 2008. The Group's revenue was approximately HK$3,074,168,000, an increase of 3.3% over the same period last year. Unaudited loss attributable to shareholders amounted to approximately HK$398,998,000, if excluding the total costs of HK$310,867,000 (net of tax) in relation to the reduction of production capacity of Dongguan Fuan Textiles Limited ("Fuan"); unaudited loss attributable to shareholders was approximately HK$88,131,000. Net loss margin after excluding the aforesaid total costs for the period under review was 2.9%, a decrease of 4.9 percentage point over the same period last year. Basic loss per share was HK50.3 cents, compared to basic earnings per share HK7.6 cents for the first half of financial year 2007. The Board resolved the payment of an interim dividend of HK1.0 cent (2007: HK4.0 cents) per share.

During the first half of financial year 2007, the Group has significantly reduced the production capacity of Fuan and part of the production capacity will be gradually transferred to other facilities of the Group. This is the latest initiative under the Group's overall strategy of ensuring long-term competitiveness and sustainability of business operations. Fuan, located in Dongguan City, in the PRC's Guangdong province, specializes in fabric and yarn dyeing, fabric knitting and finishing operations. Established in 1988, Fuan has been in operation for almost two decades. Its infrastructure – including electricity generation, effluent treatment facilities, and staff residential and recreational areas – requires continuous maintenance and upgrading thus resulting in higher cost of operation than other newer facilities. Moreover, substantial further investments will be required going forward as the facilities continue to age. Therefore, to ensure sustainable and uninterrupted operation as well as optimal resource deployment and investment, the Group decided to initiate phased decommission and transfer of Fuan's production capacity and order pipeline to the Group's other; more modern and efficient; fabric mills including the Jiangyin plant and the new plant under construction in Yancheng City of Jiangsu province. The Yancheng plant is targeted to commence phase-one production in first half of the next financial year and could eventually accommodate a maximum production capacity similar to Fuan once fully developed. By virtue of their more streamlined production systems and more comprehensive infrastructure supported by the local government, the more modern fabric mills can raise the Group's average productivity and efficiency while more effectively maintaining environmental standards.

This reduction in production capacity at Fuan has led to the reduction of approximately 4,000 positions. The Group had conducted prior consultations with the government on the compensation packages to the affected workers and has confirmed that those packages are fully compliant with the labor law of the PRC. The Group has also worked with the government as well as other factories in need of workers to facilitate the employment of the affected workers. The total compensation expenditure involved was approximately HK$44,135,000. Together with the losses on assets impairment of approximately HK$238,209,000, relocation cost of approximately HK$2,130,000 and other related costs of approximately HK$26,393,000, the total costs resulting from this substantial reduction in the production capacity of Fuan attributed to a loss of approximately HK$310,867,000 (net of tax) for the first half of the financial year.

The Group managed to increase the average selling price of both fabric and garment products as compared to the same period last year in order to counter the effect of cost increases such as appreciation of the Renminbi, surge in fuel prices, increase in minimum wage and the reductions in VAT export refund rate in the PRC. However, increase in production costs was not completely compensated by the rise in selling price. During last year, the production capacity of Fuan was not in full operation as a newly rebuilt effluent treatment facility was under test run starting from September 2006, thus the overall production volume during the same period last year was relatively low. In addition, the weakness in order volume during the period under review due to the much weaker demand from retailer clients under a slower US economy had limited the recovery of Group's revenue. As a result, even though Fuan's newly rebuilt effluent treatment facility was certified and fully operation during the first half of the financial year, the revenue only recorded a slight increase of 3.3% and the gross profit margin for the first half of the financial year decreased to 14.8% compared with 19.0% of the same period last year.

Production and Sales of Dyed Fabrics, Sewing Threads and Yarns

For the period under review, revenue from the production and sales of dyed fabrics, sewing threads and yarns was approximately HK$2,747,057,000, an increase of 3.3% as compared with the same period last year, and accounted for 89.4% of the Group's total revenue.

Production and Sales of Garments

For the first half of financial year 2008, revenue from the production and sales of garments reached approximately HK$327,111,000, an increase of 3.0% as compared with the same period last year, and accounted for 10.6% of the Group's total revenue.

Analysis by Customer Geographical Regions

For the period under review, the Group's major customers were located in Asia and accounted for approximately 92.3% of the Group's total revenue. The remaining 7.7% was generated from sales to customers located in Europe and America.

OUTLOOK

Looking forward to the Group's financial year of 2008, it is estimated that the US sub-prime crisis and global inflation will continue to adversely affect the retail consumer spending. As a result, the retail markets for textile and apparel products are anticipated to turn sluggish. Our foreign customers have continuously expressed concern over the near term outlook of the retail business, resulting in very conservative placements of fabric and garment orders. Also, against the background of slow global economic growth, multiple interest rate cuts in the United States by the Federal Reserves to control the negative impact triggered by the sub-prime issues coupled with a relatively faster growing economy in the PRC, the market expects the Renminbi to continue to appreciate against the US dollars. As such, the Group believes that 2008 to be another challenging year with emerging crises that may overshadow any growth opportunity in the emerging markets.

For the fabric business, the Group had reduced from a total of approximately 30 million pounds of monthly fabric dyeing production capacity to about 23 million pounds due to the significant reduction of production capacity of the Fuan plant in March 2008. The Group will gradually regain its capacity to approximately 26 million pounds of monthly fabric dyeing production capacity in the first half of financial year 2009, contributed by additional capacity to be installed at the Yancheng fabric mill. The Group's plant in Jiangyin, the PRC, remains the largest fabric production site within the Group and is expected to represent about half of the Group's total capacity. This phased plan of transferring capacity from the Pearl River Delta to the Yangtze River Delta of the PRC will enable the Group to strategically diversify our geographical risk and lessen the impact of rising costs of producing in Southern part of the PRC.

The Group will continue to expand garment production capacity going forward to capture the benefits of more vertically integrated operations. A new garment factory was built in Suqian City of the Jiangsu province. Another new factory was built in Dongguan, the PRC, next to the Group's Lakeside fabric mill.

Jiangyin Jintian Machinery Limited ("JTM"), our wholly owned subsidiary for the manufacturing of fabric production machinery, commenced operation in the second quarter of the calendar year of 2007. The company manufactures numerous types of textile machines including fabric finishing and inspection machines for use in the new fabric mill in Yancheng. Although the revenue contribution to the Group by JTM is small, it is expected to reduce our capital expenditure in machinery and diversify our source of revenue in the near future.

Following reduction of capacity and increase of selling prices of products, the Group expects to achieve slight improvement in operating efficiency in the second half of this financial year. However, given the current assessment of the market environment, the Group maintains an extremely cautious view on the Group's overall performance for the whole financial year.

FINANCIAL REVIEW

Liquidity and Financial Information

At 29th February, 2008, the total amount of bank deposits, bank balances and cash of the Group was approximately HK$752,137,000, a decrease of approximately HK$39,148,000 compared with 31st August, 2007.

At 29th February, 2008, the financial ratios (inclusive of interim dividend declared) of the Group were as follows:

	29th February, 2008	31st August, 2007
Gearing ratio	**1.49**	1.35
Bank borrowings ratio	**0.99**	0.77
Net bank borrowings ratio	**0.68**	0.49

The sales of the Group are mainly denominated in Hong Kong dollars and US dollars and the purchase of raw materials is mainly made in Hong Kong dollars, US dollars and Renminbi. Bank borrowings are also denominated in Hong Kong dollars and Renminbi and interest are mainly charged on a floating rate basis. In addition, the Group mainly operates in the PRC and is exposed to foreign exchange risk arising from Renminbi exposure. The fluctuations in the US dollars and Renminbi have always been the concern of the Group. In order to mitigate the foreign currency risk and interest rate risk, the Group will enter into appropriate hedging arrangements in accordance with the Group's risk management policies.

Capital Expenditure

During the period under review, the Group invested approximately HK$219,878,000 in the property, plant and equipment and prepaid lease payments. As mentioned in the annual report of last year, the Group estimated its capital expenditure for this financial year to be approximately HK$450million, which was reduced from HK$550million.

EMPLOYEES AND EMOLUMENT POLICIES

At 29th February, 2008, the Group had approximately 21,500 full time employees. There is no significant change in the Group's emolument policies.

DIVIDEND

The Board has resolved to pay an interim dividend of HK1.0 cent per share in respect of the year ending 31st August, 2008 (2007: HK4.0 cents) to the shareholders of the Company whose names appear on the register of members on Friday, 20th June, 2008. Dividend will be distributed to the shareholders of the Company on or about Friday, 4th July, 2008.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Monday, 16th June, 2008 to Friday, 20th June, 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 13th June, 2008.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CODE OF CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or, was not during the six months ended 29th February, 2008 in compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, with deviation from the Code provision as explained below.

Under the Code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separate 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. Mr. HA Chung Fong ("Mr. HA") is presently the Chairman and Managing Director of the Company. Having considered the current business operation and nature of the Company, the Board is of the view that Mr. HA acting as both the roles of chairman and CEO is in the best interest of the Company. The Board will review this situation periodically.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, the Company considers that all directors of the Company have complied with the required standard set out in the Model Code for the period under review.

AUDIT COMMITTEE

The Company has established an Audit Committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. The Audit Committee presently comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed the unaudited interim results. In addition, the Group's external auditor has carried out a review of the unaudited interim results in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee for the purposes of making recommendations to the Board on the Company's remuneration policy and structure for directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remunerations. The Remuneration Committee presently comprises five directors of the Company, including the three independent non-executive directors of the Company, Mrs. FUNG YEH Yi Hao, Yvette (non-executive director of the Company) and Mr. WAI Yick Man (executive director of the Company).

The followings are the directors of the Company as at the date of this announcement:

Executive directors	*Non-executive directors*	*Independent Non-executive directors*
Mr. HA Chung Fong	Mr. HA Hon Kuen	Mr. NG Kwok Tung
Mr. LAU Hong Yon	Mrs. FUNG YEH Yi Hao, Yvette	Mr. WONG Kwong Chi
Mr. HA Kam On, Victor		Mr. CHOW Wing Kin, Anthony, SBS, JP
Dr. YEN Gordon		
Mr. WAI Yick Man		

On behalf of the Board
HA Chung Fong
Chairman

Hong Kong, 16th May, 2008