



北方興業控股有限公司*
NORTHERN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
 (Stock Code: 736)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Northern International Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company, its subsidiaries and associated companies (the “Group”) for the six months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

		Six months ended	
		30 September	
		2007	2006
	<i>Note</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
			(restated)
Continuing operation			
Turnover	5	6,124	1,345
Other revenue		6,007	700
Administrative expenses		(11,329)	(488)
Other operating expenses		–	(5)
Profit from operating activities	6	802	1,552
Finance costs		(1,420)	–
(Loss)/profit before taxation		(618)	1,552
Income tax	7(a)	(1,844)	–
(Loss)/profit for the period from continuing operation		(2,462)	1,552
Discontinued operations			
Loss for the period from discontinued operations	8	–	(22,162)
Loss for the period		(2,462)	(20,610)
Attributable to:			
Equity holders of the Company		(2,462)	(20,610)
(Loss)/earnings per share			
From continuing and discontinued operations:			
– Basic	9	(0.28) cents	(3.15) cents
– Diluted	9	–	–
From continuing operations:			
– Basic	9	(0.28) cents	0.24 cents
– Diluted	9	–	0.24 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

		30.09.2007 (Unaudited) HK\$'000	31.03.2007 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,556	887
Investment properties		264,373	258,784
Interests in an associate		–	–
		<u>265,929</u>	<u>259,671</u>
Current assets			
Other receivables, deposits and prepayments		100,378	2,155
Cash and cash equivalents		187,763	5,802
		<u>288,141</u>	<u>7,957</u>
Current liabilities			
Other payables and accruals		11,947	5,462
Interest-bearing borrowings		4,045	–
Tax payable	7(b)	429	420
Due to shareholder		3,150	–
Due to directors		–	35
		<u>19,571</u>	<u>5,917</u>
Net current assets		<u>268,570</u>	<u>2,040</u>
Total assets less current liabilities		<u>534,499</u>	<u>261,711</u>
Non-current liabilities			
Interest-bearing borrowings		97,075	–
Other payable		–	2,752
Long term payable		–	162,504
Promissory notes		132,692	–
Deferred tax liabilities	7(c)	62,359	60,515
		<u>292,126</u>	<u>225,771</u>
Net assets		<u>242,373</u>	<u>35,940</u>
Capital and reserves			
Share capital	10	16,798	83,879
Reserves		225,575	(47,939)
TOTAL EQUITY		<u>242,373</u>	<u>35,940</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 September 2007

1. BASIS OF PREPARATION

This interim financial report is unaudited but has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the Group’s financial statements for the year ended 31 March 2007. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The interim financial report should be read in conjunction with the financial statements of the Group for the year ended 31 March 2007.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties which are measured at fair value.

The accounting policies adopted are consistent with those of the Group’s annual financial statements for the year ended 31 March 2007 as described in the annual financial statements for the year ended 31 March 2007.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 March 2008.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: 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 Transaction

The adoption of the above new standards, amendments to standards and interpretations does not result in substantial changes to the Group’s accounting policies.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

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

3. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is properties investment.

4. SEGMENT INFORMATION

The analysis of the Group's turnover and profit/(loss) from operations by business and geographical segments for the six months ended 30 September 2007 and 2006 are as follows:

(a) Business segments

Six months ended 30 September 2007 (Unaudited)

	Continuing operation	Discontinued operations			Consolidated HK\$'000
	Properties investment HK\$'000	Snap off blade cutters HK\$'000	Electronic consumer products HK\$'000	Total HK\$'000	
Revenue –					
External sales	6,124	–	–	–	6,124
Segment results	451	–	–	–	451
Interest income	351			–	351
Profit from operations	802			–	802
Finance costs	(1,420)			–	(1,420)
Loss before taxation	(618)			–	(618)
Income tax	(1,844)			–	(1,844)
Loss from ordinary activities attributable to equity holders of the Company	(2,462)			–	(2,462)

Six months ended 30 September 2006 (Unaudited)

	Continuing operation	Discontinued operations			Consolidated HK\$'000
	Properties investment HK\$'000	Snap off blade cutters HK\$'000	Electronic consumer products HK\$'000	Total HK\$'000	
Revenue –					
External sales	<u>1,345</u>	<u>25,689</u>	<u>2,335</u>	<u>28,024</u>	<u>29,369</u>
Segment results	1,469	<u>(4,434)</u>	<u>(16,179)</u>	(20,613)	(19,144)
Interest income	<u>83</u>			<u>12</u>	<u>95</u>
Profit/(loss) from operations	1,552			(20,601)	(19,049)
Finance costs	<u>–</u>			<u>(1,561)</u>	<u>(1,561)</u>
Profit/(loss) before taxation	1,552			(22,162)	(20,610)
Income tax	<u>–</u>			<u>–</u>	<u>–</u>
Profit/(loss) from ordinary activities attributable to equity holders of the Company	<u>1,552</u>			<u>(22,162)</u>	<u>(20,610)</u>

(b) Geographical segments

	Six months ended 30 September					
	2007			2006		
	Continuing operation HK\$'000	Discontinued operations HK\$'000	Total HK\$'000	Continuing operation HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Turnover						
Hong Kong	–	–	–	–	5,237	5,237
Mainland China	6,124	–	6,124	1,345	3,242	4,587
Europe	–	–	–	–	8,652	8,652
North America	–	–	–	–	3,809	3,809
East Asia	–	–	–	–	5,809	5,809
Others	–	–	–	–	1,275	1,275
	<u>6,124</u>	<u>–</u>	<u>6,124</u>	<u>1,345</u>	<u>28,024</u>	<u>29,369</u>

5. TURNOVER

Turnover represents gross rental income received and receivable from investment properties during the period.

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after (crediting)/charging:

	Six months ended 30 September					
	Continuing operation		Discontinued operations		Consolidated	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest income	(351)	(83)	-	(12)	(351)	(95)
Surplus on revaluation on investment properties	(5,589)	(617)	-	-	(5,589)	(617)
Depreciation	125	4	-	878	125	882
Amortisation of leasehold land and land use rights	-	-	-	55	-	55

7. INCOME TAX

(a) Tax in the condensed consolidated income statement represents:

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current tax	-	-
Deferred tax	1,844	-
Tax expense	<u>1,844</u>	<u>-</u>
Tax expense for continuing operation	1,844	-
Tax expense for discontinued operations	-	-
	<u>1,844</u>	<u>-</u>

Note:

(i) Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group had no estimated assessable profits arising in or derived from Hong Kong (2006: Nil).

(ii) **Deferred taxation**

The amount represented deferred tax on the fair value adjustments on investment properties held by the subsidiaries during the period (2006: Nil).

(b) Taxation in the condensed consolidated balance sheet represents:

	At 30 September 2007 (Unaudited) <i>HK\$'000</i>	At 31 March 2007 (Audited) <i>HK\$'000</i>
Mainland China enterprise income tax	<u>429</u>	<u>420</u>

(c) Movement of deferred tax liabilities in the condensed consolidated balance sheet is as follows:

	At 30 September 2007 (Unaudited) <i>HK\$'000</i>	At 31 March 2007 (Audited) <i>HK\$'000</i>
Balance brought forward	60,515	116
Disposal of building held for own use	–	(116)
Acquisition of subsidiaries	–	55,787
Deferred tax charge to income statement	<u>1,844</u>	<u>4,728</u>
	<u>62,359</u>	<u>60,515</u>

8. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS

The result of the discontinued operations for the period ended 30 September 2007, which have been included in the condensed consolidated income statement, were as follows:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Sales of snap off blade cutters	–	2,335
Sales of electronic consumer products	–	25,689
	<hr/>	<hr/>
	–	28,024
Cost of sales	–	(30,224)
	<hr/>	<hr/>
Gross loss	–	(2,200)
Other revenue	–	593
Distribution costs	–	(2,456)
Administrative expenses	–	(7,502)
Other operating expenses	–	(9,036)
	<hr/>	<hr/>
Loss from operations	–	(20,601)
Finance costs	–	(1,561)
	<hr/>	<hr/>
Loss before taxation	–	(22,162)
Income tax	–	–
	<hr/>	<hr/>
Loss for the period	<hr/> <hr/>	<hr/> <hr/>

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following data:

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the purpose of basic (loss)/earnings per share (attributable to equity holders of the Company)		
From continuing operation	(2,462)	1,552
From discontinued operations	–	(22,162)
	<u>(2,462)</u>	<u>(20,610)</u>
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	892,319,607	654,579,421
Deemed issue of ordinary shares for share options	N/A	64,502
Weighted average number of ordinary shares at 30 September for diluted earnings per share	<u>N/A</u>	<u>654,643,923</u>

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the period ended 30 September 2006 has been retrospectively adjusted for the effect of the open offer completed in September 2007.

The calculation of diluted earnings per share for continuing operations for the period ended 30 September 2006 is based on the profit attributable to equity holders of approximately HK\$1,552,000 and the weighted average number of 654,643,923 ordinary shares after adjusting for the effects of all dilutive potential shares under the Company's share option scheme.

No disclosure of the diluted loss per share for the period ended 30 September 2007 as there is no dilutive potential ordinary shares. Diluted loss per share for continuing and discontinued operations for the period ended 30 September 2006 have not been disclosed as the impact of the potential ordinary shares was anti-dilutive.

Diluted loss per share has not been disclosed as the impact of the potential ordinary shares was anti-dilutive for both periods.

10. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
Balance at beginning of the period	1,500,000,000	300,000
Capital reorganisation	(i) –	(285,000)
Increase during the period	(ii) 2,000,000,000	20,000
	<u>3,500,000,000</u>	<u>35,000</u>
Balance at end of the period		
Issued and fully paid:		
Balance at beginning of the period	419,392,885	83,879
Capital reorganisation	(i) –	(79,685)
Issue of new shares	(iii) 1,258,178,656	12,582
Exercise of share options	(iv) 2,251,650	22
	<u>1,679,823,191</u>	<u>16,798</u>
Balance at end of the period		

- (i) By ordinary resolutions passed at a special general meeting held on 21 May 2007 for the capital reorganisation scheme, the authorised share capital was reduced from HK\$300,000,000 of 1,500,000,000 shares of HK\$0.2 each to HK\$15,000,000 of 1,500,000,000 shares of HK\$0.01 each by cancelling the amount of HK\$285,000,000 shares.

The issued share capital was reduced from 419,392,885 shares of HK\$0.2 each to 419,392,885 shares of HK\$0.01 each by cancelling 419,392,885 shares of HK\$0.19 each together with the associated share premium of amount HK\$40.9 million. Under the capital reorganisation scheme, a credit of approximately HK\$120.6 million arose. Such amount was transferred to the contributed surplus account. Part of the contributed surplus was applied to eliminate the accumulated deficits amounting to approximately HK\$99.7 million. A surplus of approximately HK\$20.9 million standing to the credit of the contributed surplus account was remained after the completion of the capital reorganisation.

The contributed surplus was arising from capital reduction and share premium reduction on 21 May 2007. It may be utilised by the Directors in accordance with the Bye-laws of the Company and all applicable laws, including to apply such credit against the accumulated losses of the Company.

- (ii) By an ordinary resolution passed at a special general meeting held on 31 August 2007, the Company's authorised share capital was increased to HK\$35,000,000 by the creation of an additional 2,000,000,000 ordinary shares of 0.01 each.
- (iii) By an ordinary resolution passed at a special general meeting held on 31 August 2007, the Company issued 1,258,178,655.75 shares at HK\$0.17 each by an open offer.
- (iv) By an ordinary resolution passed on 28 September 2007, the Company issued 2,251,650 shares under the share option scheme of the Company exercised by an option holder at an exercise price of HK\$0.0755.

11. CHARGES ON GROUP'S ASSETS

The Group's investment properties situated in Shanghai, mainland China are all rented out. As at 30 September 2007, all (31 March 2007: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

12. LITIGATION

The Company instituted legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") in 1998 for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of HK\$40 million being the economic loss suffered by the Company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the Company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

13. NON-ADJUSTING POST BALANCE SHEET EVENT

- a) On 10 October 2007, the Company entered into a subscription agreement and a deed with Mr. Peter D. Xu, the promissory notes holder, for the subscription of 83,875,000 shares of HK\$0.43 each. The gross proceeds from the issue were approximately HK\$36.1 million and were utilised for setting off the remaining balance of the promissory notes. After completion of the issue, the share capital was increased by HK\$838,750 to HK\$17,636,982 and the share premium was increased by HK\$35,227,500 to HK\$230,356,820 before expenses.
- b) On 5 November 2007, the Directors proposed to change the English name of the Company from "Northern International Holdings Limited" to "China Properties Investment Holdings Limited" and adopt the Chinese name of "中國置業投資控股有限公司" in lieu of "北方興業控股有限公司" for identification purpose. The Directors also proposed the followings:
 - (1) the grant of option to Mr. Zhao Qing Ji, a controlling shareholder of the Company, to subscribe for and the issue of 55,890,000 shares at an exercise price of HK\$0.60 per shares;
 - (2) the grant of options to each of Mr. Lu Xiao Dong, Ms. Yu Wai Fong, Mr. Au Tat On, Mr. Ong King Keung, Mr. Qiu Fang, Mr. Zhou Hong Tao, Mr. Li Ying, Mr. Shen Lu Jun, Mr. Huan Jing and Mr. Yao Nai Wei to subscribe for and the issue of 17,635,000 shares at an exercise price of HK\$0.60 per shares, representing a total of 176,350,000 shares;
 - (3) to grant to the Directors a general mandate to allot, issue and deal with additional shares and to make or grant offers, agreements, options and warrants not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing such resolution; and
 - (4) to refresh the 10% limit on the grant of options under the share option scheme of the Company.

The proposals are subject to approval by the shareholders of the Company at a special general meeting to be held on 28 November 2007. Details of the proposals have been disclosed in the Company's circular dated 5 November 2007.

14. COMPARATIVE FIGURES

Due to the termination of the snap off blade cutters business during the second half of the previous year financial period, which constituted a discontinued operation under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, certain comparative figures have been reclassified to conform with current period’s presentation.

INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend (2006: Nil). Accordingly, no closure of register of members of the Company is proposed.

BUSINESS REVIEW AND PROSPECTS

During the period, the Group focuses on the properties investment business and ceased its electronic consumer products and snap off blade cutters businesses last year. Net loss of the Group was narrowed to approximately HK\$2.5 million (2006: HK\$20.6 million) and loss per share was reduced to HK0.28 cents (2006: HK3.15 cents) because of the discontinuance of electronic consumer products and snap off blade cutters businesses.

Continuing operation

Properties investment business

The turnover of the Group’s properties investment business was approximately HK\$6.1 million (2006: HK\$1.3 million), a 369% increase over last year. The increase was mainly due to the acquisition of properties in Shanghai through the acquisition of Luck Grow Group Limited last year. The properties in Shanghai are properties with aggregate gross floor area of approximately 5,621.69 square meters, located in fast developing area or city centre of Shanghai. The results of this business segment slightly reduced to approximately HK\$0.45 million (2006: HK\$1.47 million) due to higher administrative expenses during the period.

As at 30 September 2007, the Group was in the progress to further acquire properties in Shanghai as stated in the circular dated 14 August 2007 and expected to complete the acquisition within this financial year. It was believed that the turnover and result of the segment would be enhanced after the acquisition.

The Group will continuously concentrate on the properties investment business and will actively explore other investment opportunities.

Discontinued operation

The Group terminated its electronic consumer products business and disposed its snap off blade cutters business last year because of the underperformance of these businesses.

Geographical segment analysis

The Group’s client base is quite well diversified in terms of geographical locations. There was a high concentration in the PRC market since the Group’s properties are located in the PRC and turnover was classified according to the location of direct clients.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2007, the current and non-current liabilities of the Group amounted to approximately HK\$19.6 million (2007: HK\$5.9 million) and approximately HK\$292.1 million (2007: HK\$225.8 million), respectively. The amount of net current assets increased to approximately HK\$268.6 million (2007: HK\$2 million), which was mainly due to the completion of open offer in September 2007.

The Group had bank borrowing of approximately HK\$101.1 million as at 30 September 2007 (2007: Nil). The gearing ratio, defined as the percentage of total bank borrowings to shareholders' funds, is 41.7% (2007: nil). Promissory notes were all issued in July 2007 and settled on or before October 2007 through cash and placement of shares.

Most of the Group's continuing business transactions, assets and liabilities are denominated in either Hong Kong dollars and Renminbi. The risk of foreign exchange fluctuation was not significant to the Group as at 30 September 2007.

INVESTMENT POSITION AND PLANNING

As at 30 September 2007, the Group was in the progress to acquire properties in Shanghai. Details of such acquisition are set out in the circular dated 14 August 2007. Accordingly, there was capital commitment of approximately HK\$80 million (2007: nil) as at 30 September 2007.

The Group does not have any significant investment position in stocks, bonds and other financial derivatives. The Group's exposure to fluctuations in exchange rates is very limited because its assets and liabilities have been well matched in terms of denominations.

SHARE CAPITAL

Please refer to note 10 to the condensed consolidated financial statements for details.

USE OF PROCEEDS FROM ISSUE OF SHARES

The Company completed the open offer in September 2007 and raised net proceeds of HK\$207 million. The net proceeds from the open offer will be used and have been utilized as at the date of this report as follows:

- (i) approximately HK\$121.6 million for repayment of promissory notes (which has been fully utilized as intended);
- (ii) approximately HK\$60.0 million for funding part of the payment obligation under the Acquisitions (HK\$52 million of which has been utilized as intended and the remaining of HK\$8 million is currently deposited in bank); and
- (iii) approximately HK\$25.4 million for general working capital purpose (HK\$14.4 million has been utilized as intended and the remaining of HK\$11 million is currently deposited in bank).

POST BALANCE SHEET EVENTS

Please refer to note 13 to the condensed consolidated financial statements for details.

CHARGES ON GROUP'S ASSETS

Please refer to note 11 to the condensed consolidated financial statements for details.

CONTINGENT LIABILITIES

As at 30 September 2007, the Group had no contingent liabilities (2007: nil).

EMPLOYEES

As at 30 September 2007, the Group had approximately 10 and 35 employees in Hong Kong and the PRC, respectively. The remuneration was determined with reference to statutory minimum wages, market terms, the performance, qualification and experience of individual employees. The Group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the period.

AUDIT COMMITTEE

During the period, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Messrs. Chan Mei Bo, Mabel, Cheng Kwok Hing, Andy and Yeung Yuen Hei. With effect from 1 November 2007, Mr. Cheng Kwok Hing, Andy resigned as independent non-executive Director, the member of the Audit Committee and the member of the remuneration and nomination committee of the Company and Mr. Wang Dong was appointed as independent non-executive Director, the member of the Audit Committee and the member of the remuneration and nomination committee of the Company. Accordingly, Mr. Wang Dong replaced Mr. Cheng Kwok Hing as member of the Audit Committee with effect from 1 November 2007.

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee has regularly reviewed with the management the accounting principles and policies adopted by the Group. The unaudited interim financial statements for the six months ended 30 September 2007 was reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the period except for the deviation from the requirement of Code provision A.2.1 as follows:

The Chairman of the Company also acts as chief executive officer of the Company during the year, which is deviated from the requirement of the Code provision A.2.1. The Board considers that this structure is conducive with strong and consistent leadership, enabling the Company to respond promptly and efficiently.

By Order of the Board
Zhao Qing Ji
Chairman

* *For identification purpose only*

Hong Kong, 26 November 2007

As at the date of this announcement, the executive directors of the Company are Messrs. Zhao Qing Ji, Au Tat On, Lu Xiao Dong; and the independent non-executive directors of the Company are Messrs. Chan Mei Bo, Mabel, Yeung Yuen Hei and Wang Dong.