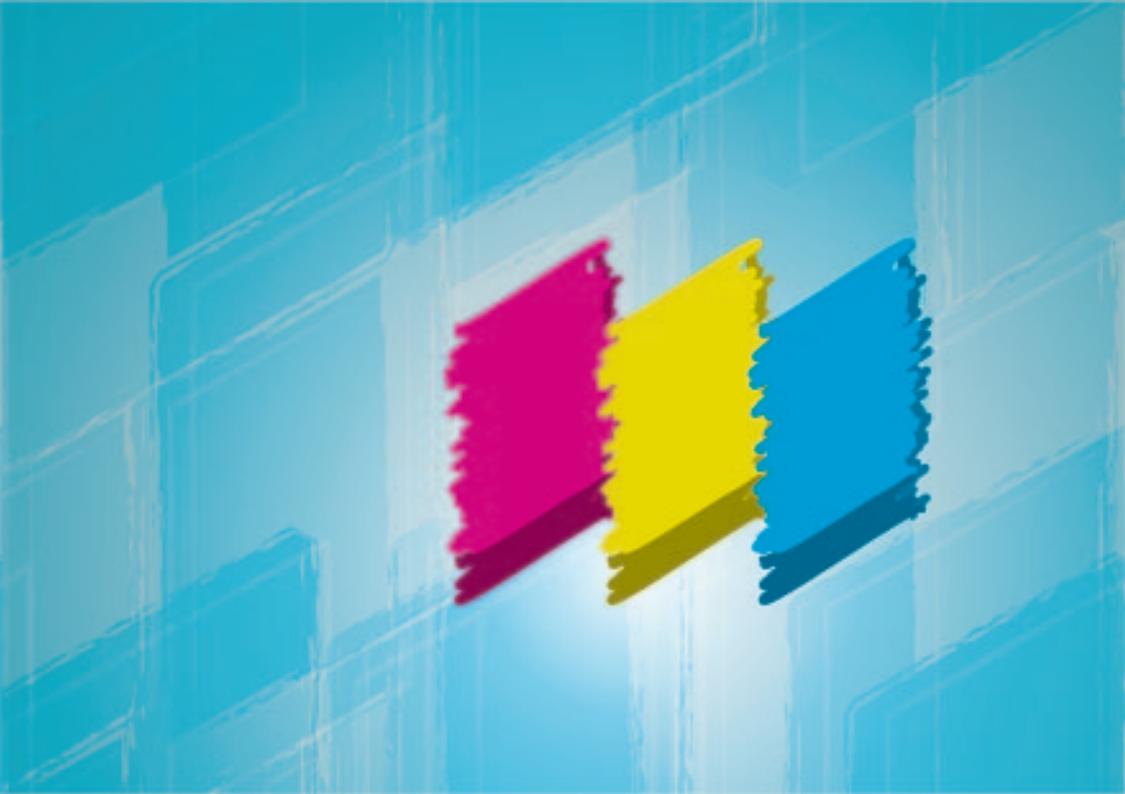




CHEONG MING INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 1196



Interim Report
2006/2007

The Board of Directors (the "Board") of Cheong Ming Investments Limited (the "Company") is pleased to present the unaudited interim financial report of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Revenue	2	320,007	348,431
Cost of sales		(235,918)	(255,020)
Gross profit		84,089	93,411
Other operating income	5	3,322	3,435
Selling and distribution costs		(13,366)	(13,628)
Administrative expenses		(43,352)	(44,461)
Other operating expenses		(668)	(3,599)
Profit from operations	4	30,025	35,158
Finance costs		(799)	(645)
Profit before income tax		29,226	34,513
Income tax expense	6	(5,223)	(5,317)
Profit for the period		24,003	29,196
Attributable to:			
Equity holders of the Company		24,145	29,329
Minority interests		(142)	(133)
Profit for the period		24,003	29,196
Dividends	7	4,867	4,867
Earnings per share for profit attributable to the equity holders of the Company during the period	8		
Basic		HK4.96 cents	HK6.03 cents
Diluted		HK4.96 cents	HK6.02 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
	Notes	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	9	183,589	189,710
Investment properties		18,220	18,220
Prepaid lease payments		14,315	14,502
		216,124	222,432
CURRENT ASSETS			
Inventories		55,398	49,868
Trade and bills receivables	10	193,333	110,477
Prepayments, deposits and other receivables		11,660	8,697
Financial assets at fair value through profit or loss	11	24,476	35,872
Cash and cash equivalents		107,392	98,513
		392,259	303,427
CURRENT LIABILITIES			
Trade payables	12	124,449	64,790
Amount due to a related company	12	1,800	206
Accrued liabilities and other payables		21,828	20,338
Tax payable		19,259	15,509
Interest-bearing borrowings		25,620	16,863
		192,956	117,706
NET CURRENT ASSETS		199,303	185,721
TOTAL ASSETS LESS CURRENT LIABILITIES		415,427	408,153
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		18,400	21,100
Deferred tax		4,646	4,171
		23,046	25,271
NET ASSETS		392,381	382,882
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	48,671	48,671
Reserves		337,759	318,407
Proposed dividend		4,867	14,601
		391,297	381,679
Minority interests		1,084	1,203
TOTAL EQUITY		392,381	382,882

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	9,742	(31,451)
INVESTING ACTIVITIES	(34,242)	(14,076)
FINANCING ACTIVITIES	2,202	15,439
DECREASE IN CASH AND CASH EQUIVALENTS	(22,298)	(30,088)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	89,134	84,850
CASH AND CASH EQUIVALENTS AT END OF PERIOD	66,836	54,762
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash in hand, cash at banks and security brokerage firms, and time deposits with original maturity of more than three months	94,854	57,017
Time deposits with original maturity of less than three months	12,538	11,529
	107,392	68,546
Less: Time deposits with original maturity of more than three months	(35,336)	(6,608)
Bank overdrafts	(5,220)	(7,176)
	66,836	54,762

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2006

	Equity attributable to equity holders of the Company								Minority interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium		Asset revaluation reserve		Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000			Proposed dividend HK\$'000
		account HK\$'000	Contributed surplus HK\$'000	Contributed surplus HK\$'000	revaluation reserve HK\$'000						
At 1 April 2005											
- as previously stated	48,671	66,765	34,080	33,876	(1,408)	-	172,286	14,601	-	368,871	
- effect of changes in accounting policies	-	-	-	(18,408)	-	-	6,161	-	-	(12,247)	
- restated	48,671	66,765	34,080	15,468	(1,408)	-	178,447	14,601	-	356,624	
Transfer of goodwill	-	-	-	-	1,408	-	(1,408)	-	-	-	
Exchange difference on consolidation	-	-	-	-	-	74	-	-	-	74	
Deferred tax credit	-	-	-	1,518	-	-	-	-	-	1,518	
Net income and expenses recognised directly in equity	-	-	-	1,518	-	74	-	-	-	1,592	
Net profit for the period	-	-	-	-	-	-	29,329	-	(133)	29,196	
Total recognised income and expense for the period	-	-	-	1,518	-	74	29,329	-	(133)	30,788	
Final and special 2005 dividend paid	-	-	-	-	-	-	-	(14,571)	-	(14,571)	
Proposed interim dividend	-	-	-	-	-	-	(4,867)	4,867	-	-	
At 30 September 2005 (Unaudited)	48,671	66,765	34,080	16,986	-	74	201,501	4,897	(133)	372,841	
At 1 April 2006	48,671	66,765	34,080	19,324	-	5	198,233	14,601	1,203	382,882	
Exchange difference on consolidation	-	-	-	-	-	74	-	-	-	74	
Net income recognised directly in equity	-	-	-	-	-	74	-	-	-	74	
Net profit for the period	-	-	-	-	-	-	24,145	-	(142)	24,003	
Total recognised income and expense for the period	-	-	-	-	-	74	24,145	-	(142)	24,077	
Contribution by minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	23	23	
Final 2006 dividend paid	-	-	-	-	-	-	-	(14,601)	-	(14,601)	
Proposed interim 2007 dividend	-	-	-	-	-	-	(4,867)	4,867	-	-	
At 30 September 2006 (Unaudited)	48,671	66,765	34,080	19,324	-	79	217,511	4,867	1,084	392,381	

Notes:

1. Basis of preparation and accounting policies

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

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2006 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include the relevant new HKASs and Interpretations) issued by the HKICPA effective for the accounting period commencing on or after 1 January 2006. The applicable new/revised HKFRSs adopted in this interim financial statements are set out below:

HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effects of changes in foreign exchange rate – Net investment in a foreign operation
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – The fair value option
HKAS 39 & HKFRS 4 (Amendments)	Financial instruments – Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS – INT 4	Determining whether an arrangement contains a lease

The adoption of the above new/revised HKFRSs did not have any material effect on how the results of operations and financial position of the Group are prepared and presented.

The Group has not early applied the following new/revised standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosure ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ³
HK(IFRIC) – INT 10	Interim financial reporting and impairment ²

¹ Effective for accounting periods beginning on or after 1 January 2007.

² Effective for accounting periods beginning on or after 1 November 2006.

³ Effective for accounting periods beginning on or after 1 June 2006

⁴ Effective for accounting periods beginning on or after 1 May 2006.

2. Revenue

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, after allowances for returns and trade discounts, and services rendered during the period after eliminations of all significant intra-group transactions.

3. Segmental information

The following tables present the Group's revenue and results for the period, analysed by business segments and geographical segments, are as follows:

Business segments

	Manufacture and sale of paper cartons, packaging boxes and children's novelty books		Commercial printing		Manufacture and sale of hangtags, labels, shirt paper boards and plastic bags		Eliminations		Consolidated	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 September	30 September	30 September	30 September	30 September	30 September	30 September	30 September	30 September	30 September
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	250,594	283,211	41,283	37,802	28,130	27,418	-	-	320,007	348,431
Intersegment sales	-	-	249	42	27	50	(276)	(92)	-	-
Total	250,594	283,211	41,532	37,844	28,157	27,468	(276)	(92)	320,007	348,431
Segment results	15,442	23,380	7,313	4,565	5,620	5,961	-	-	28,375	33,906
Interest income									1,650	1,252
Unallocated expenses									-	-
Profit from operations									30,025	35,158
Finance costs									(799)	(645)
Profit before income tax									29,226	34,513
Income tax expense									(5,223)	(5,317)
Profit for the period									24,003	29,196

3. Segmental information (Continued)

Geographical segments

	Hong Kong		Elsewhere in the PRC		Europe and other countries		Consolidated	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September		30 September	
	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	249,462	272,332	17,250	12,020	53,295	64,079	320,007	348,431

4. Profit from operations

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000

Profit from operations is arrived at
after charging:

Amortisation of prepaid lease payments	187	187
Depreciation of property, plant and equipment	13,259	13,680

5. Other operating income

	For the six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000

Interest income	1,650	1,252
Dividend income from listed investments	196	177
Rental income	1,099	1,014
Gain on disposal of property, plant and equipment	218	–
Gain on disposal of listed investments	–	679
Others	18	31
Fair value gain on financial assets at fair value through profit or loss	141	282
	3,322	3,435

6. Income tax expense

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong profits tax	4,004	4,300
Overseas profits tax	744	1,017
Deferred tax	475	-
	5,223	5,317

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months ended 30 September 2006. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the relevant jurisdictions in which the Group operates.

7. Interim dividends

	For the six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interim dividend of HK1 cent (2005: HK1 cent) per ordinary share	4,867	4,867

The Directors have resolved to declare an interim dividend of HK1 cent per share (2005: HK1 cent per share) for the six months ended 30 September 2006, payable on or before 31 January 2007 to shareholders whose names appear on the Register of Members of the Company on 26 January 2007. The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date but reflected as an appropriation of retained profits for the period ended 30 September 2006.

8. Earnings per share

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to equity holders of the Company for the period ended 30 September 2006 of approximately HK\$24,145,000 (2005: HK\$29,329,000) and on 486,706,061 (2005: 486,706,061) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 September 2006 is based on the Group's unaudited consolidated profit attributable to equity holders of the Company of approximately HK\$24,145,000 (2005: HK\$29,329,000). The number of ordinary shares used in the calculation is 486,706,061 ordinary shares in issue (2005: 486,706,061), as used in the basic earnings per share calculation, plus weighted average of 343,122 (2005: 297,515) ordinary shares assumed to have been issued at no consideration, on the deemed exercise of all share options during the period.

9. Movement in property, plant and equipment

During the period, the Group spent approximately HK\$5,784,771 on plant and machinery in order to upgrade its manufacturing capacities.

10. Trade and bills receivables

Trade receivables generally have credit terms of 30 to 120 days.

At 30 September 2006, the aging analysis of the trade and bills receivables based on invoiced date and net of provisions, is as follows:

	As at	
	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Current to 30 days	56,849	43,163
31 – 60 days	61,159	17,427
61 – 90 days	45,923	22,344
Over 90 days	29,402	27,543
	193,333	110,477

11. Financial assets at fair value through profit or loss

	As at	
	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Hong Kong listed equity investments	1,272	3,839
Hong Kong unlisted equity investments	2,372	–
Overseas listed equity investments	6,056	8,071
Overseas unlisted equity investments	10,895	4,314
Overseas listed debt investments	1,576	–
Overseas unlisted debt investments	2,305	19,648
	24,476	35,872

12. Trade payables and amount due to a related company

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Trade payables	124,449	64,790
Amount due to a related company	1,800	206
	126,249	64,996

12. Trade payables and amount due to a related company (Continued)

The amount due to a related company is trading in nature. At 30 September 2006, the aging analysis of the trade payables including amount due to a related company, based on invoiced date, is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Current to 30 days	31,205	28,068
31 to 60 days	39,402	12,989
61 to 90 days	34,492	7,860
Over 90 days	21,150	16,079
	126,249	64,996

13. Share capital

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
<i>Authorised:</i>		
800,000,000 ordinary shares of HK\$0.1 each	80,000	80,000
<i>Issued and fully paid:</i>		
486,706,061 ordinary shares of HK\$0.1 each	48,671	48,671

14. Contingent liabilities and charge on assets

At 30 September 2006, the Company provided corporate guarantees to banks for the provision of general banking facilities to its subsidiaries to the extent of HK\$104,900,000 (31 March 2006: HK\$104,900,000).

The amount of banking facilities utilised by the Group amounted to HK\$46,221,000 as at 30 September 2006 (31 March 2006: HK\$39,285,000).

At 30 September 2006, certain of the Group's properties amounting to HK\$33,261,000 (31 March 2006: certain of the Group's properties and financial assets of HK\$39,760,000) were pledged to secure general banking facilities granted to the Group.

15. Capital commitments

	Group As at	
	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Contracted for acquisition of property, plant and equipment	4,801	2,012
Investment in a subsidiary in the PRC	–	3,300
	4,801	5,312

16. Related party transactions

The following transactions were carried out with a related party, which is a minority shareholder of a subsidiary:

	For the six months ended 30 September 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Commission	2,808	1,900
Sales of goods	1,220	734
	4,028	2,634

17. Post balance sheet event

On 15 November 2006, the Group entered into five sale and purchase agreements with 深圳卓越房地產開發有限公司 (for identification purpose only, in English, Shenzhen Excellence Properties Development Limited) to acquire five office units in a commercial building, namely, Excellence Times Square, situated in the city centre of Shenzhen for its own use, for an aggregate consideration of approximately RMB22.2 million (equivalent to approximately HK\$22.0 million). 40% of the aggregate consideration, amounted to RMB8,907,937 (equivalent to approximately HK\$8.8 million) was paid by the Group in cash from its internal resources upon signing of the sale and purchase agreements, with the balance, amounted to RMB13,300,000 (equivalent to approximately HK\$13.2 million), settled by a bank mortgage loan which has already been arranged by the Group before 22 November 2006. The transactions contemplated under the sale and purchase agreements have been officially registered by 深圳市國土資源和房產管理局 (Shenzhen Municipal Bureau of Land Resources and Housing Management). It is expected that completion of the sale and purchase agreements will take place in January 2007. The sale and purchase agreements constitute a discloseable transaction under Rule 14.06 of the Listing Rules and a circular containing details of the acquisition of these five office units was dispatched to the Group's shareholders on 11 December 2006.

REVIEW OF OPERATION

BUSINESS REVIEW

For the period under review, the Group recorded a total revenue of approximately HK\$320 million and a profit attributable to equity holders of approximately HK\$24.1 million, which represented a decline of about 8.2% and 17.7% to that of the last corresponding period respectively. For the last corresponding period ended 30 September 2005, the total revenue of the Group was approximately HK\$348.4 million and the profit attributable to equity holders was approximately HK\$29.3 million. Gross profit margin of the Group has also slightly declined to 26.3% for the six months ended 30 September 2006 from that of the six months ended 30 September 2005 of 26.8%.

Printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, together with the manufacture of children novelty books continued to be the Group's major business. For the period under review, the total revenue from this major business category has dropped by about 11.5% when compared to that of the corresponding period. This was mainly due to a more cautious approach was seen taken by customers in placing orders for packaging boxes in the first quarter of the period amidst an uncertain global economy at the time than their improved orders for the second quarter as well as a more tighten credit control and appraisal to ensure collections was adopted by the Group in allowing credit to existing and new overseas customers for children novelty books throughout the period. For the six months ended 30 September 2006, the Group recorded a total revenue of approximately HK\$250.6 million from this major business category, which accounted for about 78.3% of the Group's total revenue. The decrease in revenue has impacted the contribution of this major business category towards the overall performance of the Group for the period under review. For the corresponding six months ended 30 September 2005, the total revenue from this major business category was approximately HK\$283.2 million and which was about 81.3% of the Group's total revenue.

The Group's business in the manufacture of hangtags, labels, shirt paper boards and plastic bags continued to grow within the highly competitive operating environment. The Group's production base in Shanghai to manufacture labels and hangtags has also been progressing satisfactorily. For the six months ended 30 September 2006, the Group's total revenue for the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK\$28.1 million, which represented an increase of about 2.6% over that of the corresponding period last year and accounted for about 8.8% of the Group's total revenue for the period under review. For the corresponding six months ended 30 September 2005, the revenue for the manufacture of hangtags, labels, shirt paper boards and plastic bags was approximately HK\$27.4 million and which accounted for about 7.9% of the Group's total revenue.

REVIEW OF OPERATION (Continued)

The Group has also benefited from an active and improved investment market for its business in commercial printing for the period under review. For the six months ended 30 September 2006, the Group has recorded an increase of about 9.2% in the total revenue of its commercial printing business when compared to that of last corresponding period. For the period under review, the total revenue of the Group's commercial printing business was approximately HK\$41.3 million and which accounted for about 12.9% of the Group's total revenue. For the corresponding six months ended 30 September 2005, the total revenue of the Group's commercial printing business was approximately HK\$37.8 million and accounted for about 10.8% of the Group's total revenue. Both the commercial printing and the manufacture of hangtags, labels, shirt paper boards and plastic bags have continued to make a satisfactory contribution towards the overall performance of the Group for the period under review.

The Group continued to remain cost conscious through stringent cost control measures. For the period under review, the selling and distribution costs have decreased by about 1.9% to approximately HK\$13.4 million and the administrative expenses have decreased by about 2.5% to approximately HK\$43.4 million respectively when compared to that of last corresponding year. For the corresponding six months ended 30 September 2005, the selling and distribution costs were approximately HK\$13.6 million and the administrative expenses were approximately HK\$44.5 million.

The Group's production base in Shanghai to manufacture labels and hangtags has been progressing satisfactorily for the period under review. It is yet to make a profit but it is anticipated that the Shanghai production base will be making encouraging contributions to the Group by its being capable of supplying quality products and services to the eastern and northern China markets, which are areas with growth potentials.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers in Hong Kong. The Group is financially sound. The Group's cash and bank balances and short term bank deposits as at 30 September 2006 amounted to approximately HK\$107 million. The Group's gearing ratio as at 30 September 2006 was 11.2% (31 March 2006: 9.9%), basing on the short term and long term interest bearing bank borrowings of HK\$44 million (31 March 2006: HK\$38 million) and the shareholders' fund of HK\$391.4 million (31 March 2006: HK\$381.7 million).

PROSPECTS

It is expected that the operating environment within the printing industry will continue to be tough and difficult as intensive pricing competition as well as increasing operating costs within the mainland China continue. To stay competitive for the enlarged market share that the Group has developed in recent years, especially the innovative children books in the overseas markets and lately the eastern and northern China markets for hangtags and labels through its production base in Shanghai, every effort will continue to be made by the Group to enhance its production flexibility and value added services. Endeavour will be focused on streamlined operation procedures, continuing professional training, implementation of effective internal controls, well planned logistics, abreast production technology and sourcing of new raw materials for more variety of quality products mix and product ranges development. Greater marketing efforts will also be made and strengthened for closer relationship with the broadened quality customers.

The Directors believe that, leveraged on its solid foundation and committed focus, the Group is well positioned to maintain its competitiveness and meet the increasing challenges within the marketplace.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK1 cent per share (2005: HK1 cent per share) for the six months ended 30 September 2006 payable on or before Wednesday, 31 January 2007 to shareholders whose names appear on the Register of Members of the Company on Friday, 26 January 2007.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 24 January 2007 to Friday, 26 January 2007 (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 in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, 23 January 2007.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance "SFO") as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(i) Directors' interests in shares

(A) Long position in the shares of the Company

Name of director	Personal interests			Total interests	Total interests as % of the issued share capital
	(held as beneficial owner)	Family interests	Other interests		
Mr. Lui Chi	-	250,409,029 (Note 1)	250,409,029 (Note 1)	250,409,029	51.45%
Mr. Lui Shing Ming, Brian	4,375,000	-	250,409,029 (Note 2)	254,784,029	52.35%
Mr. Lui Shing Cheong	3,125,000	-	250,409,029 (Note 2)	253,534,029	52.09%
Mr. Lui Shing Chung, Victor	3,125,000	625,000 (Note 3)	250,409,029 (Note 2)	254,159,029	52.22%
Mr. Lung Wai Kee	1,250,000	2,500,000 (Note 4)	-	3,750,000	0.77%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

(i) Directors' interests in shares (Continued)

(A) Long position in the shares of the Company

Notes:

- (1) Mr. Lui Chi is interested in 250,409,029 shares of the Company by virtue of (i) his being a founder of a discretionary trust, the discretionary objects of which include Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor, Lui Shing Cheong and other family members of Mr. Lui Chi; and (ii) his spouse is also a founder of the discretionary trust.
- (2) The 250,409,029 shares are owned by Harmony Link Corporation, a company incorporated in the British Virgin Islands. Approximately 48.4% of the issued share capital of Harmony Link Corporation is held by The Lui Family Company Limited as trustee of The Lui Unit Trust. All units (except 1 unit which is owned by Mr. Lui Shing Ming Brian) of The Lui Unit Trust are held by Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited") as trustee of a discretionary trust, the discretionary objects of which have been disclosed in Note (1) above. Mr. Lui Chi and his spouse, Madam Ng Sze Mui are the founders of the discretionary trust. Each of Messrs. Lui Shing Ming Brian, Lui Shing Chung Victor and Lui Shing Cheong further owns approximately 24.13%, 14.59% and 12.88% of the issued share capital of Harmony Link Corporation respectively.
- (3) The 625,000 shares are owned by the spouse of Mr. Lui Shing Chung, Victor.
- (4) The 2,500,000 shares are owned by the spouse of Mr. Lung Wai Kee.

All the interests stated above represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives. Interests of the respective directors set out in this subsection (A) need to be aggregated with their interests in the underlying shares through share options or equity derivatives of the Company set out in subsection (B) below in order to give the total interests of the respective directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

In addition to the above, certain directors have non-beneficial personal equity interest in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (Continued)

(i) Directors' interests in shares (Continued)

(B) Long position in the underlying shares of the Company through share options or equity derivatives

Share options are granted to the directors under the Share Option Scheme adopted by the Company on 27 December 1996 (the "Old Scheme"). Details of the share options outstanding as at 30 September 2006 under the Old Scheme are as follows:

Name of director	Nature of interest	Number of share options held	Date of grant of share options	Exercise price of share options HK\$	Exercisable period
Mr. Lui Shing Chung, Victor	Family (Note)	625,000	31 December 1999	0.2240	31 December 1999 to 26 December 2006

Note: 625,000 share options are owned by the spouse of Mr. Lui Shing Chung, Victor.

The share options are exercisable up to 26 December 2006 and were granted at nil cash consideration. The above share option prices and the corresponding number of share options held by the above director was adjusted as a result of bonus issue on 31 August 2001.

Save as disclosed herein, as at 30 September 2006, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Directors' rights to acquire shares or debentures

Save as disclosed herein, at no time during the period were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their associates to acquire such rights in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company:

Name of shareholder	Long/short position	Capacity	Number of ordinary shares/ underlying shares held	Percentage of issued capital
Madam Ng Sze Mui	Long	Founder of a discretionary trust	250,409,029 (Note 1)	51.45%
Madam Ng Shuk Fong, Aman	Long	Beneficial owner and interest of spouse	254,784,029 (Note 2)	52.35%
Harmony Link Corporation	Long	Beneficial owner	250,409,029	51.45%
The Lui Family Company Limited	Long	Trustee	250,409,029 (Note 3)	51.45%
Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited")	Long	Trustee	250,409,029 (Note 3)	51.45%

Notes:

- (1) Interests in these shares represent interests held by Madam Ng Sze Mui by virtue of her being a founder of a discretionary trust which has interests in 250,409,029 shares, details of the trust have also been disclosed in Note (1) under the section "Directors' interests in shares – Long position in the shares of the Company" above.
- (2) Interests in these shares include interests in 625,000 shares and options to subscribe for 625,000 shares both held by Madam Ng Shuk Fong, Aman personally and interests in 253,534,029 shares through interest of her spouse, Mr. Lui Shing Chung, Victor as disclosed in Note (2) under the section "Directors' interest in shares - Long position in the shares of the Company" above.
- (3) The two references to 250,409,029 shares relate to the same block of shares in the Company. Each of The Lui Family Company Limited as trustee of The Lui Unit Trust and Trident Trust Company (B.V.I.) Limited (formerly known as "Trident Corporate Services (B.V.I.) Limited") as trustee of a discretionary trust is taken to have a duty of disclosure in relation to the interests of Harmony Link Corporation in the said shares of the Company as described in Note (2) under the section "Directors' interests in shares – Long position in the shares of the Company" above.

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed herein, as at 30 September 2006, the Company has not been notified by any other person or corporation, other than the directors of the Company whose interests are set out above, having interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PARTICULARS OF DIRECTORS OF THE COMPANY WHO WERE DIRECTORS/EMPLOYEES OF SUBSTANTIAL SHAREHOLDERS

Messrs. Lui Chi, Lui Shing Ming Brian, Lui Shing Cheong and Lui Shing Chung Victor are directors of Harmony Link Corporation and The Lui Family Company Limited.

SHARE OPTION SCHEMES

On 5 September 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted. The details of the New Scheme were disclosed in the 2004 Annual Report. There were no changes in any terms of the New Scheme during the six months ended 30 September 2006. Upon termination of the Old Scheme, no further share options will be granted thereunder but all outstanding share options granted under the Old Scheme will not be affected by the New Scheme. As at 30 September 2006, the number of shares in respect of which share options had been granted and outstanding under the Old Scheme was 1,125,000. No share options were granted under the New Scheme since its adoption on 5 September 2002.

The following share options were outstanding under the Old Scheme during the six months ended 30 September 2006:

Name or category of participant	Number of share options					As at 30 September 2006	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options** HK\$	Price of Company's shares***	
	As at 1 April 2006	Exercised during the period	Cancelled during the period	Lapsed during the period						At grant date of options HK\$	At exercise date of options HK\$
Other employees											
In aggregate	625,000	-	-	-	625,000**	31 December 1999	31 December 1999 to 26 December 2006	0.2240	0.2900	N/A	
	250,000	-	-	-	250,000	8 July 2000	8 January 2001 to 26 December 2006	1.0960	1.6500	N/A	
	250,000	-	-	-	250,000	5 September 2000	5 September 2001 to 26 December 2006	1.4048	2.2000	N/A	
	1,125,000	-	-	-	1,125,000						

SHARE OPTION SCHEMES (Continued)

Notes:

- * The share options to subscribe for 625,000 ordinary shares at HK\$0.2240 per share in the Company that were granted to the spouse of Mr. Lui Shing Chung, Victor have been included in the "Other employees" category above and remained outstanding as at 30 September 2006.
- ** The exercise price is subject to adjustment in the case of any future rights or bonus issues, or other similar changes in the Company's share capital.
- *** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange's closing price of the Company as at the date of the grant of the share options.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors, the management shareholders of the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 September 2006, except for the deviation from code provision A.4.1.

- Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive directors of the Company are not appointed for specific terms. However, under the Bye-laws of the Company, at each annual general meeting of the Company, one-third of the directors, including executive and independent non-executive directors, shall retire from office by rotation, and every director shall be subject to retirement at least once every three years. As such, the Company considers that sufficient measures have been taken to essence that the corporate governance practices of the Company are no less exacting than those in the CG Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 September 2006, the Company has not redeemed any of its listed securities. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

EXCHANGE RATE EXPOSURE

Most of the transactions of the Group were made in Hong Kong dollars, Renminbi and US dollars. During the six months ended 30 September 2006, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars, Renminbi and US dollars were relatively stable and no hedging for foreign currency transactions has been carried out.

EMPLOYMENT AND REMUNERATION POLICIES

During the period under review, the Group had an average available workforce of approximately 3,591 of which approximately 3,462 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will also be based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the six months ended 30 September 2006 have been reviewed by the Audit Committee of the Company and the Group's auditors, Messrs. Grant Thornton, Certified Public Accountants.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2006.

By Order of the Board

Lui Chi

Chairman

Hong Kong, 21 December 2006

As at the date of this report, the executive directors of the Company are Mr. Lui Chi, Mr. Lui Shing Ming Brian, Mr. Lui Shing Cheong, Mr. Lui Shing Chung Victor and Mr. Lung Wai Kee, the independent non-executive directors of the Company are Dr. Lam Chun Kong, Mr. Lo Wing Man and Dr. Ng Lai Man Carmen.