

Interim Report 2007/08

紀翰集團有限公司 The Quaypoint Corporation Limited



Stock Code : 2330

CONTENTS

2	Corporate Information
3	Management Discussion and Analysis
5	Disclosure of Interests
8	Corporate Governance
10	Condensed Consolidated Income Statement
11	Condensed Consolidated Balance Sheet
12	Condensed Consolidated Statement of Changes in Equity
13	Condensed Consolidated Cash Flow Statement
14	Notes of Unaudited Interim Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHEN Xian (*Chairman*)
LAU Sai Chung (*Chief Executive Officer*)
XIA Dan
TSIM Sze Hon

Non-executive Directors

Gerard J. McMAHON

Independent non-executive Directors

NG Kwok Chu, Winfield
POON Lai Yin, Michael
CHONG Yiu Chik

AUDIT COMMITTEE

POON Lai Yin, Michael (*Chairman*)
NG Kwok Chu, Winfield
CHONG Yiu Chik
Gerard J. McMAHON
LAU Sai Chung

REMUNERATION COMMITTEE

NG Kwok Chu, Winfield (*Chairman*)
POON Lai Yin, Michael
CHONG Yiu Chik

NOMINATION COMMITTEE

CHONG Yiu Chik (*Chairman*)
NG Kwok Chu, Winfield
POON Lai Yin, Michael

COMPANY SECRETARY

SO Shuk Yi
(*appointed on 1 March 2008*)
CHEUNG Hiu Lan
(*resigned on 29 February 2008*)

QUALIFIED ACCOUNTANT

LAW Kim Fai
(*appointed on 1 March 2008*)
FUNG Yin Wan
(*resigned on 29 February 2008*)

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
Citi Ka Wah Bank Limited
Bank of China
Bank of China, Shenzhen Branch

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1304
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Room 1901-2
Fook Lee Commercial Centre
Town Place
33 Lockhart Road, Wanchai
Hong Kong

INTERNET ADDRESS

www.quaypoint.com.hk

STOCK CODE

2330

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 December 2007, the Group achieved unaudited turnover of approximately RMB111,253,000 (2006: approximately RMB11,697,000) which represented a 851% increase as compared to the last corresponding period. The unaudited loss attributable to equity holders of the Company was approximately RMB74,783,000 (2006: approximately RMB14,209,000) which included an amount of approximately RMB60,000,000 set aside in respect of the alleged guarantee which are said to be issued by a PRC subsidiary of the Company.

During the period a joint venture company ("JV company") was formed in which the Company holds 51%. The JV company is principally engaged in the provision/trading of electronic products, including mobile phones. During the period the JV company contributed significantly to our turnover and it is envisaged that the business will continue to grow.

In July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK\$0.30 each and the raised funds were used for general working capital of the Group.

In August 2007, the Company entered into a non-binding letter of intent with an independent third party relating to the development of a property located in the PRC. But unfortunately, this letter of intent was mutually agreed to be terminated in December 2007 as both parties were unable to reach a mutual agreement on the detailed terms and conditions.

In addition, on 27 December 2007, the Company signed a preliminary sale and purchase agreement to acquire a commercial unit in Hong Kong of approximately 2,000 sq.ft. which will be used as the corporate head office of the Group. This will enable the Group to save on rental expenses in the long run and enhance asset base. As for our R&D Centre in Shenzhen, we are finalizing the leasing of the ground floor and the first floor. Once finalized, it will enhance our rental income.

For the debt-restructuring proposal on approximately RMB140,000,000, we are continuing our negotiation with the Bank of China, Shenzhen branch.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the total assets of the Group were approximately RMB292,560,000 (30 June 2007: approximately RMB329,402,000), a decrease by approximately 11.2%. At 31 December 2007, the Group has total borrowings of approximately RMB103,118,000 (30 June 2007: approximately RMB139,520,000), approximately RMB83,734,000 of which is owed to Bank of China, Shenzhen branch. At 31 December 2007, the gearing ratio, expressed as a percentage of total borrowings over net assets, was about 1.47 (30 June 2007: 1.19).

At 31 December 2007, the total cash and bank balances of the Group amounted to approximately RMB21,488,000 (30 June 2007: approximately RMB57,551,000). The Group's net current liabilities was approximately RMB137,506,000 (30 June 2007: approximately RMB81,441,000) and the current ratio was about 0.38 (30 June 2007: 0.61). The decrease of the cash and bank balances was materially due to the injection of capital to a PRC subsidiary for the construction of the R & D Centre, the repayment of indebtedness to the creditors, and the Company's investment in the joint-venture company.

CHARGE ON ASSETS

At 31 December 2007, the Group's certain landed properties in Hong Kong with an aggregate net carrying value of approximately HK\$46,340,000 (equivalent to approximately RMB42,770,000) were pledged to two local banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2007, the Group has a total of 40 employees. The Group offers competitive remuneration packages to employees, including basic salaries, allowances, insurance and discretionary bonuses.

MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATION

During the period under review, regarding the litigation as to the claims of approximately RMB9,500,000 raised by the main contractor of the Shenzhen R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court and the Company looks forward to negotiate with the main contractor to settle a favorable amount less than the claims.

During the period of the appeal, the Company is in the best efforts to negotiate with the Bank of China, Shenzhen branch to finalize the terms of the debt-restructuring proposal on the RMB83,000,000 loan of the Shenzhen subsidiary and the RMB60,700,000 guaranteed by a PRC subsidiary of the Company.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months period ended 31 December 2007 (2006: nil).

PROSPECTS

There have been some changes in the composition of the Board after annual general meeting held in November 2007, The new Board will do their best to settle the litigation issue and look forward to improve the performance of the Group.

The Company will continue to focus on the target business areas with an objective to enhance operation performance and profitability of the Group. The Board is confident with the diversified business experience and resources from the new management team; we will strive to contribute ourselves to capture right business opportunities from the fluctuated and complicated market. The Company will look for more new projects for expansion in Asia, especially the PRC.

Taking into account of the broadening of the revenue base, the anticipated finalization of the debt restructuring proposal and the fund raising activities (if necessary), the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2007, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (1) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (2) which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (3) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Capacity and number of Shares held		Capacity and number of options held		Approximate percentage of shareholding
	Personal Interest	Corporate Interest	Personal Interest	Total	
Xia Dan (<i>note</i>)	—	79,500,000	—	79,500,000	18.55
Lau Sai Chung	148,000	—	—	148,000	0.03
Gerard Joseph McMahon	—	—	1,500,000	1,500,000	0.35

Note: Ms. Xia Dan ("Ms. Xia") is taken to be interested in 79,500,000 shares held by Mega Edge International Limited which is 100% owned by Ms. Xia.

Save as disclosed above, none of the Directors nor their associates had any interest or short position in any shares of the Company as at 31 December 2007.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, so far as was known to the Directors, the following persons (other than the Directors or the chief executive of the Company) has interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of division 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholder required to be kept by the Company under section 336 of the SFO.

(i) Long position in ordinary shares

Substantial Shareholder	Capacity and nature of interest	Number of shares held	Percentage of total issued shares
Mega Edge International Limited (<i>note</i>)	Registered Shareholder	79,500,000	18.55
Chak Joaquim Emilio Kin Man	Registered Shareholder	96,824,000	22.59

Note: Mega Edge International Limited, which is 100% owned by Ms. Xia Dan.

(ii) Long position in underlying shares

Name	Capacity and nature of interest	Number of underlying shares	As approximate percentage of total issued ordinary shares
Weina (BVI) Limited ("Weina") (<i>notes 1 & 2</i>)	Beneficial owner	460,000,000	107.30%
Weina Group Limited ("Weina Group") (<i>note 3</i>)	Interest of a controlled corporation	460,000,000	107.30%
Mr. Tsim Wing Kong ("Mr. Tsim") (<i>note 3</i>)	Interest of a controlled corporation	460,000,000	107.30%

DISCLOSURE OF INTERESTS

Notes:

1. The Company has entered into a subscription and option agreement on 26 May 2006 with Weina and through such agreement and the exercise of the option by the Company, Weina is interested in 350,000,000 convertible redeemable preference shares and has the right to convert the aforesaid shares into 350,000,000 ordinary shares (based on its initial conversion price).
2. The Company has entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A Shares and has the right to convert the aforesaid shares into 110,000,000 ordinary shares (based on its initial conversion price).
3. Weina Group owns entire issued capital of Weina and is therefore deemed to have interests in the underlying shares of the Company in which Weina is interested. Mr. Tsim is deemed to be interested in the underlying shares of the Company by virtue of his controlling interest in Weina Group. Mr. Tsim is the father of Mr. Tsim Sze Hon, the Director of the Company.

Save as disclosed above, no person had registered interest in the share capital of the Company that was required to be disclosed under Division 2 and 3 of the Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons, who, as at 31 December 2007, were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company and were also, a practicable matter, able to direct or influence the management of the Company.

SHARE OPTION SCHEME

A share option scheme was adopted on 20 January 2003. The purpose of the scheme is to provide incentive and to recognize the contribution of the eligible participants, including directors and employees of the Group, to the growth of the Group and to provide flexibility to the Group in terms of remunerating the participants.

On 6 July 2007, options to subscribe for a total of 11,228,000 shares in the Company at the exercise price of HK\$1.14 which was reference to the Company's share price at HK\$1.14 on 6 July 2007, and the exercise period is one year (i.e. from 6 July 2007 to 5 July 2008) and a summary of the movements during the six months period ended 31 December 2007 ("Period") of the share options granted under the scheme is as follows:

Category of participants	Number of share options				Outstanding as at 31 December 2007
	Balance as at 1 July 2007	Granted during the Period	Exercised during the Period	Cancelled or lapsed during the Period	
Existing Directors					
Lau Sai Chung	—	148,000	148,000	—	—
Tsim Sze Hon	—	1,500,000	1,500,000	—	—
Gerard Joseph McMahon	—	1,500,000	—	—	1,500,000
Poon Lai Yin, Michael	—	148,000	148,000	—	—
Ng Kwok Chu, Winfield	—	148,000	148,000	—	—
Directors resigned/retired during the period					
Chan Siu Chu, Debby	—	1,500,000	1,500,000	—	—
Siek Fui	—	148,000	148,000	—	—
Sze Kwan	—	148,000	148,000	—	—
Employees	—	5,988,000	4,940,000	—	1,048,000
Total	—	11,228,000	8,680,000	—	2,548,000

DISCLOSURE OF INTERESTS

The share price of the Company on 6 July 2007 is HK\$1.14. The value of the options granted to the respective parties is as follows:

	HK\$
Directors	
Lau Sai Chung	35,667
Tsim Sze Hon	361,499
Gerard Joseph McMahon	361,489
Poon Lai Yin, Michael	35,667
Ng Kwok Chu, Winfield	35,667
Chan Siu Chu, Debby (<i>retired on 30 November 2007</i>)	361,499
Siek Fui (<i>retired on 30 November 2007</i>)	35,667
Sze Kwan (<i>resigned on 1 September 2007</i>)	35,667
Employees	1,437,120

The value of the options granted during the Period is HK\$2,705,945, based on the binomial model. The significant inputs into the model were share price as at 6 July 2007 of HK\$1.14, exercise price of HK\$1.14 and expected life of options of 1 year, risk free rate 4.13% and expected annualized stock volatility of 62%. The binomial model is to estimate market value of options by incorporating the effects from factors including risk-free rate and annualize stock price volatility. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

At the balance sheet date, the Company had 2,548,000 share options outstanding under the scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 2,548,000 additional ordinary shares of the Company and additional share capital of HK\$254,800 and share premium of HK\$2,649,920.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions and, where applicable, the recommended practices of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 14 to the Listing Rules throughout the six months ended 31 December 2007, except the period from 1 December 2007 to 29 February 2008, the Board has only 2 independent non-executive directors which deviated from Code Provision A.3.2 which stipulates that the total number of the non-executive directors should be at least one-third of the Board. The Company has appointed a new independent non-executive director, therefore with effect from 1 March 2008, the Company has complied the Code Provision A.3.2.

BOARD COMPOSITION AND BOARD PRACTICES

The Board is collectively responsible for overseeing the management of the business and affairs of the Group with the objective of enhancing shareholders value. During the period under review, the board consists of seven Directors, comprising four executive Directors, one non-executive Director and two independent non-executive Directors. More than one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. All Directors are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association and the Code on CG Practices.

The Directors who held office during the period under review and up to the date of this report are:

Executive Directors

CHEN Xian	<i>(Appointed on 12 October 2007 as executive director and re-designated on 30 November 2007)</i>
LAU Sai Chung	<i>(Re-designated on 30 November 2007)</i>
XIA Dan	<i>(Appointed on 21 August 2007 as non-executive director and re-designated on 12 October 2007)</i>
TSIM Sze Hon	<i>(Appointed on 1 December 2007)</i>
CHAN Siu Chu Debby	<i>(Retired on 30 November 2007)</i>
SIEK Fui	<i>(Retired on 30 November 2007)</i>
SZE Kwan	<i>(Resigned on 1 September 2007)</i>

Non-executive Director

Gerard J. McMAHON

Independent Non-executive Directors

NG Kwok Chu, Winfield	
POON Lai Yin, Michael	
CHONG Yiu Chik	<i>(Appointed on 1 March 2008)</i>

The company secretary is responsible to the Board for ensuring that Board procedures are followed and for ensuring that the Board is briefed on all legislative, regulatory and corporate governance developments and that the Board has regard to them when making decisions. The company secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeover and Mergers and Share Repurchases, Companies Ordinance, SFO and other applicable laws, rules and regulations.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 31 December 2007.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

During the period under review, the Audit Committee has the following four members:

Mr. Poon Lai Yin, Michael, <i>Chairman</i>	<i>Independent Non-executive Director</i>
Mr. Ng Kwok Chu, Winfield	<i>Independent Non-executive Director</i>
Mr. Gerard McMahon	<i>Non-executive Director</i>
Mr. Lau Sai Chung	<i>Executive Director</i>

The principal duties of the Audit Committee include the review and supervision of the Group's internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Audit Committee has reviewed and approved the interim accounts for the six months ended 31 December 2007.

REMUNERATION COMMITTEE

During the period under review, the Remuneration Committee has the following three members:

Mr. Ng Kwok Chu, Winfield, <i>Chairman</i>	<i>Independent Non-executive Director</i>
Mr. Poon Lai Yin, Michael	<i>Independent Non-executive Director</i>
Mr. Lau Sai Chung	<i>Executive Director</i>

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to the corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

During the period under review, the Nomination Committee has the following three members:

Mr. Ng Kwok Chu, Winfield	<i>Independent Non-executive Director</i>
Mr. Poon Lai Yin, Michael	<i>Independent Non-executive Director</i>
Mr. Lau Sai Chung	<i>Executive Director</i>

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will be based on the criteria in the procedure (such as appropriate experience, personal skills and time commitment) to identify and recommend proposed candidates to the Board.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months period ended 31 December 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007

	Note	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Turnover	4	111,253	11,697
Cost of sales		(94,230)	(10,274)
Gross profit		17,023	1,423
Other revenue	4	563	806
Other income	4	66	4,597
Distribution costs		(4,090)	(34)
Administrative expenses		(6,012)	(6,342)
Other operating expenses		(2,616)	(4,039)
Depreciation and amortisation		(2,116)	(588)
Staff costs		(10,117)	(4,983)
Provision for bank guarantee	17	(60,700)	—
Finance costs	6	(6,597)	(4,713)
Share of losses of associates		—	(33)
Loss before taxation	7	(74,596)	(13,906)
Income tax	8	—	(303)
Loss for the period		(74,596)	(14,209)
Attributable to:			
Equity holders of the Company		(74,783)	(14,209)
Minority interests		187	—
		(74,596)	(14,209)
Loss per share			
Basic	9	(RMB0.18)	(RMB0.04)
Diluted	9	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2007

	Note	At 31 December 2007 (Unaudited) RMB'000	At 30 June 2007 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	16,466	16,868
Investment properties	11	171,848	166,693
Prepaid lease payment	11	273	273
Interest in associates	12	15,173	10,726
Available-for-sale securities		4,000	4,000
Total non-current assets		207,760	198,560
Current assets			
Inventories	13	3,213	2,923
Trade receivables	14	49,734	58,168
Prepayments, deposits and other receivables	15	9,950	10,990
Financial assets at fair value through profit or loss		415	1,210
Cash and bank balances		21,488	57,551
Total current assets		84,800	130,842
Current liabilities			
Trade payables	16	6,159	11,829
Bills payable, secured	16	2,780	21,622
Provision, accruals and other payables	17	109,372	38,830
Receipts in advance		877	482
Short-term bank loans	18	103,118	139,520
Total current liabilities		222,306	212,283
Net current liabilities		(137,506)	(81,441)
Total assets less current liabilities		70,254	117,119
Capital and reserves			
Ordinary share capital	19	44,362	37,100
Convertible redeemable preference shares	19	184,653	184,653
Reserves		(158,942)	(104,634)
Total equity attributable to equity holders of the Company		70,073	117,119
Minority interests		181	—
Total Equity		70,254	117,119

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007

	Attributable to equity holders of the Company						
	Ordinary share capital (Unaudited) RMB'000	Convertible redeemable preference share (Unaudited) RMB'000	Other reserves (Unaudited) RMB'000	Accumulated losses (Unaudited) RMB'000	Sub-total (Unaudited) RMB'000	Minority interests (Unaudited) RMB'000	Total (Unaudited) RMB'000
At 1 July 2007	37,100	184,653	24,764	(129,398)	117,119	—	117,119
Exchange difference arising from translation of financial statements of overseas operations	—	—	(3,150)	—	(3,150)	(6)	(3,156)
Loss for the period	—	—	—	(74,783)	(74,783)	187	(74,596)
Total recognised income and loss for the period	—	—	(3,150)	(74,783)	(77,933)	181	(77,752)
Issue of shares	6,461	—	12,032	—	18,493	—	18,493
Issue of shares upon exercise of share options	801	—	9,027	—	9,828	—	9,828
Recognition of equity-settled share based payments	—	—	2,566	—	2,566	—	2,566
At 31 December 2007	44,362	184,653	45,239	(204,181)	70,073	181	70,254
At 1 July 2006	37,100	104,000	25,446	(137,262)	29,284	—	29,284
Exchange difference arising from translation of financial statements of overseas operations	—	—	(3,046)	—	(3,046)	—	(3,046)
Loss for the period	—	—	—	(14,209)	(14,209)	—	(14,209)
Total recognised income and loss for the period	—	—	(3,046)	(14,209)	(17,255)	—	(17,255)
Issue of convertible redeemable preference A shares	—	43,742	—	—	43,742	—	43,742
At 31 December 2006	37,100	147,742	22,400	(151,471)	55,771	—	55,771

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007

	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Net cash used in operating activities	(19,431)	(36,772)
Net cash used in investing activities	(7,108)	(13,229)
Net cash used in financing activities	(7,820)	(6,374)
Net decrease in cash and cash equivalents	(34,359)	(56,375)
Effect on foreign exchange rate changes	(1,404)	(3,870)
Cash and cash equivalents at 1 July	45,452	96,765
Cash and cash equivalents at 31 December, represented by cash at bank and in hand and unpledged time deposits	9,689	36,520

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in (i) the design, supply and integration of automation and control system; (ii) trading of automation products, electronic components and natural resources such as iron ore, iron sand, coal and other natural mineral products; (iii) property investment; (iv) investment in listed securities and (v) trading of mobile phones.

2. BASIS OF PREPARATION

This interim financial report 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 and in compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 30 June 2007, except for the accounting policy changes that are expected to be reflected in the 2008 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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 accounting 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 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 financial position and performance of the Group since the year ended 30 June 2007. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The financial information relating to the financial year ended 30 June 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion with emphasis of matter paragraph concerning the adoption of going concern basis on those financial statements in their report dated 12 October 2007.

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately RMB137,506,000. The sustainability of the Group as a going concern is dependent on its ability to successfully obtain adequate medium to long term financing to fund its operations before sufficient cash flows are generated from profitable operations. After evaluating all the relevant facts available to them, the Directors are of the opinion that the Group should be able to maintain itself as a going concern by raising adequate additional finance and by debt restructuring; details are set out below:

- (a) To meet the Group's funding needs, the directors will consider to raise funds by issuing additional debt and/or equity securities, if necessary.
- (b) As set out in notes 17 and 18 to the unaudited interim financial report, the Company is in the process of negotiation for the restructuring of the guarantee provisions of RMB6,991,000 and RMB60,700,000 and short term bank loan of approximately RMB83,700,000 with the bank creditor. The directors are of the opinion that the negotiation can be concluded successfully and no immediate full repayment is required in short to medium term.

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS” which term collectively includes individual HKFRS, HKAS and Interpretations) that are effective for accounting periods beginning on or after 1 July 2007 as follows:

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment ²
HK(IFRIC) – Interpretation 11	HKFRS 2: Group and Treasury Share Transactions ³

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 November 2006

³ Effective for annual periods beginning on or after 1 March 2007

The adoption of these new HKFRS has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised. The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective.

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

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

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

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

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

4. TURNOVER, OTHER REVENUE AND OTHER INCOME

Turnover, other revenue and other income consist of:

	For the six months ended 31 December	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Turnover		
– Revenue from sales of automation products and electronic components	38,367	11,697
– Sales of natural resources	4,534	–
– Rentals from investment properties	5,494	–
– Sales of other goods	62,858	–
	111,253	11,697
Other revenue		
– Bank interest income	563	806
	563	806
Other income		
– Net gain on disposal of listed securities	–	1,913
– Excess of fair value of identified net assets acquired over cost	–	1,385
– Gain on disposal of property, plant and equipment	1	54
– Waiver of other loan, unsecured	–	921
– Others	65	324
	66	4,597
	111,882	17,100

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

5. SEGMENT INFORMATION

For the period under review, the Group organised its businesses into three segments: technology, trading, and property investment. Technology segment comprises provision of technical and consultancy services including the provision of automation products on project base. Trading segment comprises the trading of natural resources, automation products, electronic components and mobile phones. Property investment segment comprises rental income arising from the Research and Development Centre in Shenzhen and the landed properties in Hong Kong.

Primary reporting format – Business Segments

	For the six months ended 31 December 2007				
	Technology (Unaudited) RMB'000	Trading (Unaudited) RMB'000	Property investment (Unaudited) RMB'000	Unallocated (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Turnover	—	105,759	5,494	—	111,253
Segment results	—	9	5,138	(9,830)	(4,683)
Other expenses					(63,316)
Finance costs					(6,597)
Share of losses of associates					—
Loss before taxation					(74,596)
Income tax					—
Loss for the period					(74,596)
<i>Other information</i>					
Capital expenditure	—	140	8,480	—	8,620
Depreciation and amortisation	—	1,897	160	59	2,116
Profit on disposal of property, plant and equipment	—	1	—	—	1
Provision for obsolete and slow moving inventories	—	814	—	—	814

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

5. SEGMENT REPORTING (Continued)

Primary reporting format – Business Segments (Continued)

	For the six months ended 31 December 2006				
	Technology (Unaudited) RMB'000	Trading (Unaudited) RMB'000	Property investment (Unaudited) RMB'000	Unallocated (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Turnover	–	11,697	–	–	11,697
Segment results	(695)	(7,044)	(21)	(1,400)	(9,160)
Finance costs					(4,713)
Share of loss of an associate					(33)
Loss before taxation					(13,906)
Income tax					(303)
Loss for the period					(14,209)
<i>Other information</i>					
Capital expenditure	–	138	16,631	390	17,159
Depreciation and amortisation	4	495	21	68	588
Loss on disposal of property, plant and equipment	–	–	–	13	13

Secondary reporting format – Geographical Segments

In presenting information on the basis of geographical segments, segment turnover is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Turnover For the six months ended 31 December		Total assets		Capital expenditure For the six months ended 31 December	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	At 31 December 2007 (Unaudited) RMB'000	At 30 June 2007 (Audited) RMB'000	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
PRC (including Hong Kong)	111,253	11,697	277,387	318,676	8,620	17,159
Interest in associates			15,173	10,726		
Total assets			292,560	329,402		

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

6. FINANCE COSTS

	For the six months ended 31 December	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Interest on bank and other borrowings and overdraft wholly repayable within 5 years	6,597	4,713

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting) the following:

	For the six months ended 31 December	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Staff costs (including director's emoluments):		
Salaries, wages and other benefits	7,383	4,722
Contributions to defined contribution plans	168	261
Share-based payment expense	2,566	—
	10,117	4,983
Cost of inventories	94,230	10,274
Depreciation and amortisation (net of depreciation capitalised in property under development)	2,116	588
(Profit) Loss on disposal of property, plant and equipment	(1)	13
Operating lease rentals of premises	649	1,108
Provision for obsolete and slow moving inventories	814	—
Unrealised loss on financial assets at fair value through profit or loss	768	180
Impairment loss on amount due from an associate	1,034	—

8. INCOME TAX

Taxation charge in the condensed consolidated income statement.

	For the six months ended 31 December	
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Current taxation		
— Hong Kong profits tax	—	303

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

8. INCOME TAX (Continued)

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2020. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

(ii) Hong Kong profits tax

Hong Kong Profits Tax has not been provided as the Company and its subsidiaries operating in Hong Kong did not derive any assessable profits for the period. Hong Kong Profits tax has been provided for at the rate of 17.5% on the estimated assessable profits earned by a subsidiary operating in Hong Kong for the period ended 31 December 2006.

(iii) PRC enterprise income tax

The wholly owned subsidiaries of the Company, Techwayson Industrial Limited and Techwayson Technology (Shenzhen) Limited, are High-Tech enterprise which were established and are operating in a special economic zone of the PRC, and are normally subject to the PRC enterprise income tax at a rate of 15%. However, they are exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction in the tax rate for the next six years.

These subsidiaries incurred tax losses for the period.

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16 March 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Under the New Law, entities that are currently entitled to preferential tax rates will be gradually increase to 25% over a 5 year period unless the entities satisfy the new requirements under the New Law. In respect of tax holidays, for those enterprises which have already started their tax holidays before 2008, they are able to enjoy the remaining tax holidays until expiry whereas for those enterprises which have not yet started their tax holidays before 2008, the tax holidays will be deemed to start from 1 January 2008 and they are able to enjoy the remaining tax holidays until expiry.

9. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 December 2007 is based on the consolidated loss attributable to equity holders of the Company of approximately RMB74,783,000 (2006: approximately RMB14,209,000) and the weighted average number of 425,093,804 shares (2006: 350,000,000 shares) in issue during the period.

Diluted loss per share for the six months ended 31 December 2007 and 2006 has not been presented as the share options and convertible redeemable preference shares outstanding had an anti-dilutive effect on the basic loss per share.

10. DIVIDENDS

The directors do not recommend the payment of interim dividend for the six months ended 31 December 2007 (2006: nil).

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

11. CAPITAL EXPENDITURE

	Property, plant and equipment (Unaudited) RMB'000	Property under development (Unaudited) RMB'000	Investment properties (Unaudited) RMB'000	Prepaid lease payment (Unaudited) RMB'000	Total (Unaudited) RMB'000
<i>Net book value</i>					
At 1 July 2007	16,868	—	166,693	273	183,834
Additions	1,740	—	6,880	—	8,620
Depreciation/amortisation	(2,116)	—	—	—	(2,116)
Exchange difference	(26)	—	(1,725)	—	(1,751)
At 31 December 2007	16,466	—	171,848	273	188,587
At 1 July 2006	2,796	72,285	—	1,987	77,068
Additions	528	16,631	—	—	17,159
Acquisition of a subsidiary	—	—	44,736	—	44,736
Depreciation/amortisation	(567)	—	—	(21)	(588)
Disposal	(79)	—	—	—	(79)
Exchange difference	(29)	—	—	—	(29)
At 31 December 2006	2,649	88,916	44,736	1,966	138,267

As 31 December 2007, the directors estimated that the carrying amounts of the investment properties do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no fair value gain or loss has been recognised in the current period.

12. INTEREST IN ASSOCIATES

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Share of net assets	—	—
Amount due from an associate	15,173	10,726
	15,173	10,726

The amount due from an associate was unsecured, non-interest bearing and had no fixed repayment term.

13. INVENTORIES

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Merchandises	3,213	2,923

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

14. TRADE RECEIVABLES

Trade receivables consisted of:

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade receivables	49,734	58,168

Customers are normally required to settle the debts within one month upon issue of invoices, except for certain well established customers where the terms are extended to two to three months. However, for provision of project and technical service, the customers are required to pay by instalments in accordance with the relevant contracts with the last instalment being made within 9 months upon generation of electricity. Subsequent to the balance sheet date, the Group, a trade debtor and a creditor entered into an agreement in which the amount due to the creditor of approximately RMB3,630,000 will be applied to set-off the amount due from the trade debtor.

Ageing analysis of trade receivables, net of provision, is as follows:

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade receivables		
0 – 60 days	16,485	36,922
61 – 90 days	1	10,178
91 – 365 days	31,546	10,026
Over 365 days	1,702	1,042
	49,734	58,168

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Purchase deposits	4,522	4,313
Prepayments	137	185
Utilities and rental deposits	567	655
Other receivables	4,724	5,837
	9,950	10,990

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

16. TRADE PAYABLES AND BILLS PAYABLE

Ageing analysis of trade payables and bills payable at the period/year end date is as follows:

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade payables		
0 – 60 days	4	5,983
61 – 90 days	29	3,883
91 – 365 days	4,853	1,012
Over 365 days	1,273	951
	6,159	11,829
Bills payable		
0 – 60 days	2,780	21,622

17. PROVISION, ACCRUALS AND OTHER PAYABLES

As at 31 December 2007, provision, accruals and other payables included an amount of approximately RMB6,991,000 (unaudited) (30 June 2007: approximately RMB10,441,000) set aside in respect of alleged guarantees which are said to be issued by a PRC subsidiary of the Company. Under the preliminary settlement agreement with the bank creditor (the “Bank”), the Group has agreed to settle the amount and to pledge its leasehold buildings and investment properties in the PRC as a security. The Group has settled approximately RMB3,450,000 (unaudited) during the period. However, up to the date of issue of this interim financial report, the formal execution of the security has not yet been completed. Details of the preliminary settlement agreement have been set out in the Company’s annual report for the year ended 30 June 2007.

In addition, the Group has set aside a provision of approximately RMB60.7 million (unaudited) included in provision, accruals and other payables during the period in respect of a claim by another branch office of the Bank against a PRC subsidiary of the Company under a corporate guarantee allegedly provided by the subsidiary to the Bank in respect of a third party. A judgement was made by the relevant court on the litigation regarding the alleged corporate in favour of the Bank and the Group has made an appeal against the judgement. Details of the alleged guarantee of approximately RMB60.7 million has been set out in the Company’s annual report for the year ended 30 June 2007. To facilitate the negotiation of the restructuring of bank loan of approximately RMB83.7 million (unaudited) with the Bank (note 18), the Group has reached a preliminary settlement agreement with the Bank regarding the alleged guarantee of approximately RMB60.7 million. On 23 October 2007, the PRC subsidiary and the Bank entered into a non-binding memorandum of understanding (“MOU”) under which both parties agreed that, among other things, subject to the withdrawal of appeal by the PRC subsidiary, the principal of the amount of approximately RMB60.7 million would be restructured into a term loan of not less than 1 year and not more than 3 years against the mortgage of the Group’s leasehold buildings and investment properties in the PRC (to be secured under the above guarantee provisions of approximately RMB6,991,000 and approximately RMB60.7 million and the bank loan of approximately RMB83.7 million (note 18)) and certain amount of accrued interest would be waived. Accordingly, the PRC subsidiary has applied to the relevant court to withdraw the appeal and a provision of approximately RMB60.7 million was made during the current period. As the formal execution of the security has not yet been completed, formal settlement and restructuring agreement has not yet been finalised with the Bank.

Although the formal execution of the security and final settlement agreements for both guarantee provisions of approximately RMB6,991,000 and approximately RMB60.7 million have not been finalised, the Bank has not demanded immediate repayment. The Group is continuing to negotiate with the Bank to finalise the terms of the settlements and considers there is no immediate liquidity difficulty.

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

18. SHORT-TERM BANK LOANS

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Bank loans, secured	19,384	51,286
Bank loans, unsecured	83,734	88,234
	103,118	139,520

The unsecured bank loan is borrowed from the Bank by a PRC subsidiary of the Company. This interest rate has been increased to 9.558% as a penalty imposed by the Bank. In December 2006, the Shenzhen Arbitration Committee made a decision in favour of Bank which has however subsequently agreed not to enforce its right to demand immediate repayment from the Group for a period of six months in order to allow the bank to restructure the outstanding debt into a loan secured against the Group's leasehold buildings and investment properties in the PRC. Up to the date of issue of this interim financial report, the restructure of debt and the formal execution of the security have not yet been finalised.

The secured bank loans represent short-term loans borrowed from other banks by other subsidiaries of the Company which bears interest at the prevailing market interest rate and will become due within one year.

19. SHARE CAPITAL

(a) Ordinary share capital

	31 December 2007		30 June 2007	
	No. of shares (Unaudited) '000	(Unaudited) RMB'000	No. of shares (Audited) '000	(Audited) RMB'000
Authorised:				
Ordinary shares of HK\$0.1 each				
At 1 July 2007/1 July 2006	1,000,000	106,000	1,000,000	106,000
Creation of additional shares	2,000,000	184,586	—	—
At 31 December 2007/30 June 2007	3,000,000	290,586	1,000,000	106,000
Ordinary shares, issued and fully paid:				
At 1 July 2007/1 July 2006	350,000	37,100	350,000	37,100
Shares issued pursuant to a private placement	70,000	6,461	—	—
Shares issued upon exercise of share options (note 20)	8,680	801	—	—
At 31 December 2007/30 June 2007	428,680	44,362	350,000	37,100

Pursuant to an ordinary resolution passed in the annual general meeting on 30 November 2007, the authorised share capital of the Company is increased from HK\$100,000,000 to HK\$300,000,000 (equivalent to RMB290,586,000) by the creation of 2,000,000,000 additional shares of HK\$0.1 each ranking pari passu in all respects with the existing shares of the Company.

On 6 July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK\$0.3 each. The shares issued rank pari passu in all respects with the existing shares of the Company.

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

19. SHARE CAPITAL (Continued)

(b) Convertible redeemable preference shares

	31 December 2007		30 June 2007	
	No. of shares (Unaudited) '000	(Unaudited) RMB'000	No. of shares (Audited) '000	(Audited) RMB'000
Convertible redeemable preference shares, issued and fully paid:				
At 1 July 2007/1 July 2006	460,000	184,653	250,000	104,000
Shares issued	—	—	210,000	80,653
At 31 December 2007/30 June 2007	460,000	184,653	460,000	184,653
Represented by:				
Convertible redeemable preference shares	350,000	142,406	350,000	142,406
Convertible redeemable preference A shares	110,000	42,247	110,000	42,247
	460,000	184,653	460,000	184,653

Details of the terms of the convertible redeemable preference shares and convertible redeemable preference A shares are set out in the Company's annual report for the year ended 30 June 2007.

20. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible employees of the Group. Details of the terms of the scheme have been set out in the Company's annual report for the year ended 30 June 2007. Movements of share options during the period are as follows:

	Six months ended 31 December	
	2007 (Unaudited)	2006 (Unaudited)
Outstanding at the beginning of the period	—	—
Granted during the period	11,228,000	—
Exercised during the period	(8,680,000)	—
Outstanding at the end of the period	2,548,000	—

The Group recognised a total expense of approximately RMB2,566,000 based on the binomial model for the six months ended 31 December 2007 (2006: Nil) in relation to share options granted by the Company.

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the taxation rate applicable to profits in the countries concerned.

Deferred income tax assets are recognised for tax loss carried forward and other deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax loss of approximately RMB119,303,000 (unaudited) (30 June 2007: approximately RMB52,878,000) to carry forward against future taxable income. Of the total amount of unrecognised tax losses, approximately RMB83,326,000 (unaudited) (30 June 2007: approximately RMB16,914,000) can be carried forward for 5 years from the year of loss making and the remaining unrecognised tax losses have no expiry date.

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

21. DEFERRED TAXATION (Continued)

The movement in net deferred tax assets (liabilities) during the period/year is as follows:

	Revaluation of properties		Taxation losses		Total	
	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
At 1 July 2007/1 July 2006	(6,818)	—	6,818	—	—	—
Acquisition of a subsidiary	—	(1,207)	—	1,207	—	—
(Charged)/Credited to income statement	—	(5,611)	—	5,611	—	—
Exchange difference	50	—	(50)	—	—	—
At 31 December 2007/ 30 June 2007	(6,768)	(6,818)	6,768	6,818	—	—

22. COMMITMENTS

(a) Capital commitments

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Authorised and contracted for the capital expenditure in respect of acquisition of investment property in Hong Kong net of deposits paid	19,474	—

(b) Operating lease commitments

- (i) At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases which are payable as follows:

	For premises		For equipment	
	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Within one year	316	1,120	17	17
Between two and five years	—	—	40	49
	316	1,120	57	66

NOTES OF UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

22. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

- (ii) The Group leases out all its investment properties under operating leases with average lease terms of 2 years. At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases as follows:

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Within one year	8,287	8,389
Between two and five years	2,278	6,442
	10,565	14,831

23. PLEDGE OF ASSETS

As at 31 December 2007, the Group has pledged certain of its investment properties with carrying value of approximately RMB42,769,000 (unaudited) (30 June 2007: approximately RMB44,493,000) and bank deposits of approximately RMB11,799,000 (unaudited) (30 June 2007: approximately RMB12,099,000) to the banks to secure general banking facilities granted to the Group.

24. FINANCIAL GUARANTEES

As at 31 December 2007, the Company has issued corporate guarantees to banks in respect of bank loans and general banking facilities granted to and utilised by its subsidiaries amounting to approximately RMB95,200,000 (unaudited) (30 June 2007: approximately RMB150,000,000).

25. RELATED PARTY TRANSACTIONS

In additions to the transactions and balances disclosed elsewhere in this interim financial report, the Group has the following related party transactions in respect of remuneration of key management personnel which includes the amounts paid to the Company's directors:

	Six months ended 31 December 2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Salaries, other short-term employee benefits and share-based payment expense	2,677	1,573

26. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Company issued 1,500,000 share options to a director of the Company. The share options are exercisable for the period from 31 January 2008 to 30 January 2011 at an exercise price of HK\$0.74.

27. APPROVAL

This unaudited interim financial report was approved by the board of directors on 19 March 2008.