THE QUAYPOINT CORPORATION LIMITED
紀 翰 集 團 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

INTERIM RESULTS FOR
THE SIX MONTHS ENDED 31 DECEMBER 2008

The Board of Directors ("the Board") of The Quaypoint Corporation Limited (the "Company") is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2008, together with the comparative figures for the corresponding period in 2007.

* *For identification only*

Condensed Consolidated Income Statement
For the six months ended 31 December 2008

	Notes	Six months ended 31 December 2008 (Unaudited) RMB'000	(Restated) 2007 (Unaudited) RMB'000
Turnover	3	**188,429**	111,253
Cost of sales		**(181,258)**	(94,230)
Gross profit		**7,171**	17,023
Other revenue	3	**1,547**	629
Distribution costs		**–**	(4,090)
Administrative expenses		**(4,148)**	(8,628)
Changes in fair value of investment properties		**(11,965)**	–
Depreciation and amortisation		**(1,018)**	(2,116)
Staff costs		**(2,587)**	(10,117)
Provision for bank guarantee		**–**	(60,700)
Finance costs		**(6,279)**	(6,597)
Loss before taxation	5	**(17,279)**	(74,596)
Income tax	6	**–**	–
Loss for the period		**(17,279)**	(74,596)
Attributable to:			
Equity holders of the Company		**(17,888)**	(74,783)
Minority interests		**609**	187
		(17,279)	(74,596)
Loss per share			
Basic	7	**(RMB 0.042)**	(RMB 0.174)
Diluted	7	**N/A**	N/A

Condensed Consolidated Balance Sheet

As at 31 December 2008

	Notes	**At 31 December 2008 (Unaudited) RMB'000**	At 30 June 2008 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**18,640**	19,270
Investment properties		**164,025**	175,768
Prepaid lease payments		**17,755**	17,986
		200,420	213,024
Current assets			
Trade receivables	*8*	**17,778**	24,139
Prepayments, deposits and other receivables		**14,615**	15,106
Financial assets at fair value through profit or loss		**96**	420
Pledged bank deposits		**12,406**	12,289
Cash and bank balances		**22,913**	14,422
		67,808	66,376
Current liabilities			
Trade payables	*9*	**4,333**	5,763
Secured bills payables	*9*	**2,720**	12,253
Provision for claims		**60,700**	65,941
Other accruals		**17,950**	5,035
Accrued interest		**30,863**	25,692
Receipts in advance		**12,793**	8,149
Bank overdraft		**-**	155
Bank borrowings – repayable within one year		**112,895**	112,397
Taxation payable		**593**	620
		242,847	236,005
Net current liabilities		**(175,039)**	(169,629)
Total assets less current liabilities		**25,381**	43,395
Capital and reserves			
Ordinary share capital		**43,987**	43,987
Convertible redeemable preference shares		**184,653**	184,653
Reserves		**(215,133)**	(197,805)
Total equity		**13,507**	30,835
Non-current liabilities			
Bank borrowings – due after one year		**11,874**	12,560
		25,381	43,395

Notes:

1. BASIS OF PREPARATION

This interim financial statements have 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 statements have been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 30 June 2008, 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 2.

The preparation of an interim financial statements 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 statements contain 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 2008. 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.

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately RMB175,039,000. 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) The Company is in the process of negotiation for the restructuring of the guarantee provisions of approximately RMB60,700,000 and short term bank loan of approximately RMB77,734,000 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK(IFRIC)") – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

The adoption of these interpretations and amendments 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.

Besides, the Group has early adopted HKFRS 8 "Operating Segments" in advance of its effective date, with effect from 1 January 2008. Amounts reported for the prior year have been restated on the new basis.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKAS 39 (Amendment)	Eligible Hedged Items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combination [3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Int 15	Accounting for Agreements for the Construction of Real Estate [2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation [5]

HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [3]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. HKAS 23 (Revised) requires borrowing costs related to qualifying assets of the Group to be capitalised prospectively. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

3. TURNOVER AND OTHER REVENUE

Turnover and other revenue consist of:

	For the six months ended 31 December	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Turnover		
- Sales of automation products and electronic components	**182,401**	38,367
- Sales of natural resources	**-**	4,534
- Rentals income	**6,028**	5,494
- Sales of other goods	**-**	62,858
	188,429	111,253
Other revenue		
- Bank interest income	**135**	563
- Gain on disposal of property, plant and equipment	**-**	1
- Write-back of provision for trade receivables	**1,154**	-
- Others	**258**	65
	1,547	629
	189,976	111,882

4. SEGMENT INFORMATION

For the period under review, the Group classified its businesses into two segments based on their nature of operations and economic characteristics: trading and property investment. Trading segment comprises the trading of automation products as well as electronic components. Property investment segment comprises rental income arising from the Research and Development Centre in Shenzhen (the "R&D Centre") and the investment properties in Hong Kong.

Primary reporting format – Business Segments

	For the six months ended 31 December 2008			
	Trading (Unaudited) RMB'000	Property investment (Unaudited) RMB'000	Unallocated (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Turnover	**182,401**	**6,028**	**-**	**188,429**
Segment results	**1,478**	**(8,944)**	**(3,534)**	**(11,000)**
Finance costs				**(6,279)**
Loss before taxation				**(17,279)**
Income tax				**-**
Loss for the period				**(17,279)**
Other information:				
Capital expenditure	**-**	**189**	**-**	**189**
Depreciation and amortisation	**649**	**316**	**53**	**1,018**
Profit on disposal of property, plant and equipment	**-**	**-**	**-**	**-**
Provision for obsolete and slow moving inventories	**-**	**-**	**-**	**-**

	For the six months ended 31 December 2007			
	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	(73,146)	(67,999)
Finance costs				(6,597)
Loss before taxation				(74,596)
Income tax				-
Loss for the period				(74,596)
Other information:				
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

Secondary reporting format - Geographical Segments

No geographical segments information of the Group is shown as the Group's operation, sales by geographical market and assets are substantial located in the PRC including Hong Kong.

5. LOSS BEFORE TAXATION

	For the six months ended 31 December	
	2008	2007
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Loss before taxation is stated after charging:		
Staff costs (including director's emoluments):		
Salaries, wages and other benefits	**2,555**	7,383
Contributions to defined contribution plans	**32**	168
Share-based payment expense	**-**	2,566
	2,587	10,117
Cost of inventories	**181,258**	94,230
Depreciation and amortisation	**1,018**	2,116
Profit on disposal of property, plant and equipment	**-**	(1)
Operating lease rentals of premises	**-**	649
Provision for obsolete and slow moving inventories	**-**	814
Unrealised loss on financial assets at fair value through profit or loss	**336**	768
Changes in fair value of investment properties	**11,965**	-
Impairment loss on amount due from an associate	**-**	1,034

6. INCOME TAX

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Income tax on the Group's subsidiaries established and operated in the PRC has been calculated based on the estimated assessable profit for the period at the tax rates as applicable to the relevant subsidiaries.

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period or had available tax losses brought forward to offset the assessable profits generated during the period (2007: Nil).

Taxes on profits in respect of the Group's companies operating elsewhere have been calculated at the rates of tax prevailing in the respective tax countries/jurisdictions in which they operate based on existing legislation, interpretations and practices in respect thereof.

At 31 December 2008, the Group has unrecognised tax loss of approximately RMB62,651,000 (30 June 2008: RMB57,591,000) to carry forward against future taxable income. Of the total amount of unrecognised tax losses, approximately RMB28,795,000 (30 June 2008: RMB23,906,000) can be carried forward for 5 years from the year of loss making and the remaining unrecognised tax losses have no expiry date.

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 December 2008 is based on the consolidated loss attributable to equity holders of the Company of approximately RMB17,888,000 (six months ended 31 December 2007: approximately RMB74,783,000) and the weighted average number of 428,680,000 shares (six months ended 31 December 2007: 425,093,804 shares) in issue during the period.

Diluted loss per share for the six months ended 31 December 2008 and 2007 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.

8. TRADE RECEIVABLES

Trade receivables consisted of:

	31 December 2008 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade receivables	**17,778**	24,139

Ageing analysis of trade receivables, net of allowance for doubtful debts, is as follows:

	31 December 2008 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade receivables		
Less than 60 days	**-**	7,939
61 – 90 days	**-**	-
91 – 365 days	**7,669**	7,200
Over 365 days	**10,109**	9,000
	17,778	24,139

9. TRADE PAYABLES AND SECURED BILLS PAYABLES

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

	31 December 2008 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade payables		
Less than 60 days	**-**	-
61 – 90 days	**-**	312
91 – 365 days	**4,333**	-
Over 365 days	**-**	5,451
	4,333	5,763
Secured bills payables	**2,720**	12,253

10. INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2008 (six months ended 31 December 2007: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 December 2008, the Group achieved unaudited turnover of approximately RMB188,429,000 (six months ended 31 December 2007: approximately RMB111,253,000) which represented an approximately 69% increase as compared to the last corresponding period. The increase in turnover is mainly attributable to the trading business of electronic components. The unaudited loss attributable to equity holders of the Company was approximately RMB17,888,000 (six months ended 31 December 2007: approximately RMB74,783,000 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), which is mainly due to revaluation of investment properties.

For the debt-restructuring proposal on approximately RMB138,700,000, we are continuing our negotiation with the Bank of China, Shenzhen branch.

SEGMENT INFORMATION

The details of segmental information are set out in note 4 to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the total assets of the Group were approximately RMB268,228,000 (at 30 June 2008: approximately RMB279,400,000), a decrease by approximately 4%. At 31 December 2008, the Group has total borrowings of approximately RMB124,769,000 (at 30 June 2008: approximately RMB124,957,000). At 31 December 2008, the gearing ratio, expressed as a percentage of total borrowings over net assets, was about 4.92 (at 30 June 2008: 2.88).

At 31 December 2008, the total cash and bank balances of the Group amounted to approximately RMB22,913,000 (at 30 June 2008: approximately RMB14,422,000). The Group's net current liabilities was approximately RMB175,039,000 (at 30 June 2008: approximately RMB169,629,000) and the current ratio was about 0.28 (at 30 June 2008: 0.28).

CAPITAL STRUCTURE

The issued ordinary share capital of the Company as at 31 December 2008 was HK$42,868,000 divided into 428,680,000 shares of HK$0.10 each (at 30 June 2008: HK$42,868,000 divided into 428,680,000 shares of HK$0.10 each). As at 31 December 2008, the issued convertible redeemable preference share capital was HK$35,000,000 divided into 350,000,000 shares of HK$0.10 each (at 30 June 2008: HK$35,000,000 divided into 350,000,000 shares of HK$0.10 each) and the convertible redeemable preference A share capital was HK$11,000,000 divided into 110,000,000 shares of HK$0.10 each (at 30 June 2008: HK$11,000,000 divided into 110,000,000 shares of HK$0.10 each). As at 31 December 2008, none of the convertible redeemable preference shares and convertible redeemable preference A shares were converted into ordinary shares.

As at 31 December 2008, the Group's bank borrowings of approximately RMB112,895,000 on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of approximately RMB77,734,000 bears fixed interest rate whilst the loan of approximately RMB35,161,000 bears prevailing market rates. There are no known seasonal factors in our borrowing profiles.

FOREIGN CURRENCY EXPOSURE

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. Although the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively unstable during the year under review, since the Group has no financial instrument for hedging purposes, treasury and funding policies, therefore the Group's exposure to fluctuations in exchange rates is considered minimal.

CHARGE ON ASSETS

At 31 December 2008, the Group's certain investment properties, property, plant and equipment, prepaid lease payments and time deposits with an aggregate net carrying value of approximately RMB70,067,000 were pledged to banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company (at 30 June 2008 : approximately RMB77,654,000).

SIGNIFICANT INVESTMENT

The Group had no significant investment held for the six months ended 31 December 2008.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 31 December 2008.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2008. However, the Group will continue to seek new business development opportunities.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2008.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed a total of approximately 30 full time employees (at 30 June 2008: 40) in Hong Kong and the PRC. Total remuneration cost for the period under review was approximately RMB2,587,000 (six months ended 31 December 2007: approximately RMB10,117,000). The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options will also be awarded to employees according to assessment of individuals' performance.

CONTINGENT LIABILITIES AND 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. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant China court to demand the Company settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is pending decision from the court.

In addition, Techwayson Industrial Limited ("TIL"), a major subsidiary (as defined under the Listing Rules) of 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 RMB77,734,000 loan of the Shenzhen subsidiary and the RMB60,700,000 guaranteed loan.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen, the People's Republic of China ("PRC"), in respect of a claim of approximately RMB22,000,000 made by an independent third party ("Party") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005 (the "Claim"). TIL has appointed a firm of PRC legal counsel to assist in the gathering of information and the investigation into the circumstances giving rise to the Claim. The said firm of PRC legal counsel has defended the questionable claim during the court hearing late last year and is waiting for the court's judgement.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months period ended 31 December 2008 (six months ended 31 December 2007: nil).

PROSPECTS

There have been some changes in the composition of the Board after annual general meeting held in November 2008, the new Board will do their best to settle the litigation issue and look forward to improve the performance of the Group.

In view of the recent worldwide financial tsunami, the Board is taking a very cautious approach in broadening the revenue base. Bearing this risk factor in mind, the Board is taking advantage of this downturn and will continue to look for good projects for expansion in Asia, especially in the PRC.

With the anticipated finalization of the debt restructuring proposal, broadening of revenue base 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.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

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") as set out in Appendix 14 to the Listing Rules throughout the six months period ended 31 December 2008, except for the deviation of the Code Provision A.3.2 and breach of rule 3.10(1) of the Listing Rule which requires that every board of director of a listed company must include at least three independent non-executive directors. During the period under review, the Board had only 2 independent non-executive directors since 28 November 2008 as Mr. Ng Kwok Chu Winfield has retired on 28 November 2008 and did not offer himself for re-election as independent non-executive Director. But on 31 December 2008, the Company has appointed a new independent non-executive Director, therefore with effect from 31 December 2008, the Company has complied the Code Provision A.3.2 and the rule 3.10(1) of the Listing Rule.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors of the Company confirm that all Directors have complied with the required standard set out in the Model Code during the period under review.

PURCHASES, SALE AND REDEMPTION OF SECURITY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months period ended 31 December 2008.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with the Code. 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 existing Audit Committee comprises three members, namely Mr. POON Lai Yin, Michael (Chairman), Mr. CHONG Yiu Chik and Mr. CHOI Kai Ming, Raymond, all are independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial report of the Group for the six months period ended 31 December 2008.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is available for viewing at the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and at the website of the Company at www.quaypoint.com.hk. The interim report will be dispatched to the shareholders of the Company and published on the above websites as soon as practicable.

By Order of the Board
The Quaypoint Corporation Limited
Chen Xian
Chairman

Hong Kong, 18 March 2009

As at the date of this announcement, the Board comprises Executive Directors, Mr. Chen Xian, Mr. Tsim Sze Hon, Mr. Lau Sai Chung and Mr. Xiong Jianrui and Non-executive Director, Ms. Xia Dan and Independent Non-executive Directors, Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond.