



KANHAN TECHNOLOGIES GROUP LIMITED

看漢科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

INTERIM RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2007

CHARACTERISTIC OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

The Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of KanHan Technologies Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to KanHan Technologies Group Limited. The directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

INTERIM RESULTS (UNAUDITED)

The board of directors (the “Board”) of KanHan Technologies Group Limited (the “Company”) would like to report the unaudited consolidated results of the Company and its subsidiaries (together, “the Group”) for the six months ended 30 June 2007 together with the comparative figures for the corresponding periods in 2006 as follows:–

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 June 2007

		Three months ended 30 June		Six months ended 30 June	
		2007	2006	2007	2006
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	2,385	1,651	3,777	3,066
Cost of sales		(1,204)	(768)	(1,841)	(1,539)
Gross profit		1,181	883	1,936	1,527
Other income/(expenses)		(70)	250	338	342
Research and development expenses		(269)	(287)	(625)	(567)
Selling and distribution expenses		(322)	(290)	(626)	(569)
Administrative expenses		(1,625)	(1,281)	(3,131)	(2,376)
Loss before taxation	5	(1,105)	(725)	(2,108)	(1,643)
Taxation	6	–	–	–	–
Loss for the period		(1,105)	(725)	(2,108)	(1,643)
Attributable to:					
Equity holders of the Company		(990)	(725)	(1,993)	(1,643)
Minority interests		(115)	–	(115)	–
Loss per share – Basic	8	(0.15 cents)	(0.12 cents)	(0.32 cents)	(0.30 cents)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

		30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
NON-CURRENT ASSETS			
Fixed assets		762	158
Intangible assets	9	<u>53,572</u>	<u>—</u>
		<u>54,334</u>	<u>158</u>
CURRENT ASSETS			
Inventories	10	153	62
Trade and other receivables	11	12,395	4,638
Bank balances, deposits and cash		<u>12,659</u>	<u>22,707</u>
		<u>25,207</u>	<u>27,407</u>
CURRENT LIABILITIES			
Trade and other payables	12	7,401	3,989
Financial assistance from government		<u>336</u>	<u>236</u>
		<u>7,737</u>	<u>4,225</u>
NET CURRENT ASSETS		<u>17,470</u>	<u>23,182</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>71,804</u>	<u>23,340</u>
NON-CURRENT LIABILITIES			
Promissory note	13	24,031	—
Financial assistance from government		<u>959</u>	<u>1,059</u>
		<u>24,990</u>	<u>1,059</u>
NET ASSETS		<u><u>46,814</u></u>	<u><u>22,281</u></u>
EQUITY AND RESERVES			
Share capital		37,436	29,498
Reserves		<u>2,815</u>	<u>(7,217)</u>
		40,251	22,281
MINORITY INTERESTS		<u>6,563</u>	<u>—</u>
		<u><u>46,814</u></u>	<u><u>22,281</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 <i>(Note a)</i>	Warrant subscription reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
2006										
At 1 January 2006	7,004	20,704	10,084	-	-	567	(37,608)	751	-	751
Exercise of share options	370	1,270	-	-	-	(567)	-	1,073	-	1,073
Issue of rights shares	22,124	3,097	-	-	-	-	-	25,221	-	25,221
Share issue expenses	-	(2,250)	-	-	-	-	-	(2,250)	-	(2,250)
Loss for the period	-	-	-	-	-	-	(1,643)	(1,643)	-	(1,643)
At 30 June 2006	<u>29,498</u>	<u>22,821</u>	<u>10,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,251)</u>	<u>23,152</u>	<u>-</u>	<u>23,152</u>

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 <i>(Note a)</i>	Warrant subscription reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
2007										
At 1 January 2007	29,498	22,821	10,084	1,469	(24)	2,314	(43,881)	22,281	-	22,281
Exercise of share options	150	837	-	-	-	(357)	-	630	-	630
Exercise of warrants	1,000	2,349	-	(249)	-	-	-	3,100	-	3,100
Issue of consideration shares <i>(Note b)</i>	6,788	10,181	-	-	-	-	-	16,969	-	16,969
Share issue expenses	-	(744)	-	-	-	-	-	(744)	-	(744)
Exchange differences arising from consolidation	-	-	-	-	8	-	-	8	-	8
Acquisition of subsidiary	-	-	-	-	-	-	-	-	6,678	6,678
Loss for the period	-	-	-	-	-	-	(1,993)	(1,993)	(115)	(2,108)
At 30 June 2007	<u>37,436</u>	<u>35,444</u>	<u>10,084</u>	<u>1,220</u>	<u>(16)</u>	<u>1,957</u>	<u>(45,874)</u>	<u>40,251</u>	<u>6,563</u>	<u>46,814</u>

Notes:

- The special reserve represents the difference between the nominal amount of shares and share premium of KanHan Technologies Inc. at the date on which it was acquired by the Company and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation taken place in 2003.
- The Company issued 135,750,000 shares of HK\$0.125 each and credited as fully paid in consideration for acquisition of the entire equity interest in Silky Sky Investments Limited.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June 2007 HK\$'000	Six months ended 30 June 2006 HK\$'000
Net cash used in operating activities	(6,472)	(3,595)
Net cash used in investing activities	<u>(6,562)</u>	<u>(24)</u>
Net cash outflow before financing activities	(13,034)	(3,619)
Net cash inflow from financing activities	<u>2,986</u>	<u>24,029</u>
Net increase/(decrease) in cash and cash equivalents	(10,048)	20,410
Cash and cash equivalents at beginning of the period	<u>22,707</u>	<u>2,253</u>
Cash and cash equivalents at end of the period	<u><u>12,659</u></u>	<u><u>22,663</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 10 October 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange on 25 February 2003.

The Company and its subsidiaries are principally engaged in developing and marketing patented server based technology for its real time on-line communication software platform for the Chinese language. The Company is also engaged in the provision of software related services. In addition, the Group is engaged in the production and distribution of organic fertilizer through a technology which converts organic waste into organic fertilizer.

2. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The measurement basis used in the preparation of these unaudited consolidated results is historical cost.

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2006.

3. TURNOVER

Turnover comprises revenue from the following activities in the Group's server-based language technology business:

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of licensed software	1,617	1,280	2,604	2,263
Software maintenance	181	191	367	375
Software rental and subscription income	112	60	160	124
Website development	329	–	329	148
Putonghua learning platform	146	120	317	156
	<u>2,385</u>	<u>1,651</u>	<u>3,777</u>	<u>3,066</u>

4. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

	Six months ended 30 June,					
	Server-based technology and related products		Production and distribution of organic fertilizer		Consolidated	
	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	<u>3,777</u>	<u>3,066</u>	<u>–</u>	<u>–</u>	<u>3,777</u>	<u>3,066</u>
Segment results	<u>(934)</u>	<u>(1,121)</u>	<u>(235)</u>	<u>–</u>	<u>(1,169)</u>	<u>(1,121)</u>
Other income					255	342
Unallocated expenses					<u>(1,194)</u>	<u>(864)</u>
Loss before taxation					<u>(2,108)</u>	<u>(1,643)</u>
Taxation					<u>–</u>	<u>–</u>
Loss for the period					<u>(2,108)</u>	<u>(1,643)</u>

	As at 30 June,					
	Server-based technology and related products		Production and distribution of organic fertilizer		Consolidated	
	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Assets						
Segment assets	1,775	1,409	17,583	–	19,358	1,409
Unallocated assets					<u>60,183</u>	<u>25,120</u>
Total assets					<u>79,541</u>	<u>26,529</u>
Liabilities						
Segment liabilities	4,744	3,082	3,712	–	8,456	3,082
Unallocated liabilities					<u>24,271</u>	<u>295</u>
Total liabilities					<u>32,727</u>	<u>3,377</u>

(b) Geographical segments

For the six months ended 30 June 2007, the Group's turnover and operating assets are located in the Special Administrative Region of Hong Kong and other regions in the People's Republic of China ("PRC"). Accordingly, no analysis by geographical segments is included in these financial statements.

5. LOSS BEFORE TAXATION

This is stated after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	<u>33</u>	<u>45</u>	<u>64</u>	<u>95</u>

6. TAXATION

No provision for taxation has been made as the Group had no assessable profit for the six months ended 30 June 2007 (2006: Nil).

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30 June 2007 respectively (2006: Nil).

8. LOSS PER SHARE

The computation of the basic loss per share for the three months ended 30 June 2007 is based on the loss for the period of approximately HK\$990,000 (2006: HK\$725,000) and on the weighted average number of 663,738,698 shares (2006: 589,966,720 shares).

The computation of the basic loss per share for the six months ended 30 June 2007 is based on the loss for the period of approximately HK\$1,993,000 (2006: HK\$1,643,000) and on the weighted average number of 627,056,499 shares (2006: 551,293,393 shares).

No diluted loss per share was presented as the exercise of the outstanding share options and the conversion of the outstanding warrants of the Company are anti-dilutive.

9. INTANGIBLE ASSETS

Intangible assets represent the goodwill arising on the acquisition of the entire equity interest in Silky Sky Investments Limited and its subsidiaries.

10. INVENTORIES

Inventories comprise finished goods and are stated at cost.

11. TRADE AND OTHER RECEIVABLES

	The Group	
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Trade receivables	1,414	775
Deposits, prepayments and other receivables	10,981	3,863
	12,395	4,638

The Group has a policy of allowing a credit period from 30 to 120 days to its trade customers. The aging analysis of the trade receivables is as follows:

	The Group	
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
0-30 days	361	175
31-60 days	791	559
61-90 days	83	10
Over 90 days	179	31
	1,414	775

12. TRADE AND OTHER PAYABLES

	The Group	
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Trade payables	273	269
Accrued charges and other creditors	7,128	3,720
	7,401	3,989

The Group has an average credit period ranging from 30 to 90 days from its trade creditors. The aging analysis of the trade payables is as follows:

	The Group	
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
0-30 days	152	126
31-60 days	55	31
61-90 days	53	112
Over 90 days	13	—
	273	269

13. PROMISSORY NOTE

On 21 May 2007, the Company issued a promissory note with a face amount of HK\$24,031,250 to Mr. Yang Pei Gen in respect of the acquisition of the entire equity interest in Silky Sky Investments Limited. The promissory note is interest bearing at 2% per annum and is repayable within two years from the date of issuance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of operation

The Group's turnover increased by approximately 23.19%, from approximately HK\$3,066,000 for the six months ended 30 June 2006 to approximately HK\$3,777,000 for the six months ended 30 June 2007.

Turnover generated from sales of licensed software, customarily the Group's principal source of revenue, was approximately HK\$2,604,000 (2006: HK\$2,263,000), accounting for approximately 68.94% (2006: 73.81%) of the turnover for the period under review. In addition, the subscription income from e-Putonghua platform and the website development increased by 1.03 times and 1.22 times respectively.

Net loss attributable to equity holders of approximately HK\$990,000 and HK\$1,993,000 was recorded for the three months and six months ended 30 June 2007, compared to net loss attributable to equity holders of approximately HK\$725,000 and HK\$1,643,000 in the corresponding periods in previous year. Administrative expenses increased to approximately HK\$3,131,000 in the six months ended 30 June 2007 from approximately HK\$2,376,000 in the same period last year. Such increase was attributable to the increase in professional expenses incurred for business operations and the consolidation of the results of Silky Sky Investments Limited and its subsidiaries in June 2007.

Business review and outlook

Software Sales Business

The sale of HanPHONE IVR projects grew at slower than expected pace for the first half year despite the increased enquiries from small to medium size companies including many from the stock brokerage industry. We are optimistic that many of the prospective customers will confirm their orders in the second half of the year.

Many departments in the Hong Kong SAR Government have been gradually revamping their old websites catering for new service applications for Hong Kong residents and visitors of which people originated from China now constitutes a major community. A simplified Chinese interface is becoming a must for all government websites. HanWEB, as Hong Kong's de facto market leading software in producing a real-time simplified Chinese interface for websites, is benefiting from the increased demand. Same applies to the commercial sector especially from the finance industry in servicing their clients across the border. We are forecasting a robust growth of HanWEB business for the rest of the year.

Due to the new Windows VISTA operating system, the development work in producing a new version of Chinese JAWS compatible with VISTA with substantial improvement in handling Cantonese and Putonghua has begun in earnest since April. We are highly hopeful the enhanced version will trigger more sales and a replacement business from the older versions.

Service Business

The e-Putonghua business has reached its first major milestone in reaching a total of 100 primary and secondary schools just before the start of the school's summer holiday. There will be new products to be introduced to the schools including a new Putonghua based reading program for liberal studies (通識教育) in the new school term. We aim to expand the school subscription number to over 150 by end of the year and collect in average 20% more annual subscription fees from each school by way of new products and fee increment.

The EFAX/SMS business maintains a stable monthly income. We are forecasting growth in SMS broadcasting business for the rest of the year due to the incorporation of our SMS gateway in a number of IT applications including school intranet and ERP.

Organic Fertilizer Business

In May 2007, the Company acquired the equity interest in Silky Sky Investments Limited and its subsidiaries ("Silky Sky Group"). The Silky Sky Group is principally engaged in the production and distribution of organic fertilizer through a technology which converts organic wastes into organic fertilizer. Such technology serves as a good solution for the prevailing environmental and ecological problems in the PRC. The directors believed that the Silky Sky Group provides a good opportunity for the Group to diversify the existing business into a new line of business with significant growth potential.

Liquidity and financial resources

As at 30 June 2007, the Group had current assets of approximately HK\$25,207,000 (31 December 2006: HK\$27,407,000). The current assets comprised cash and bank balances of HK\$12,659,000 (31 December 2006: HK\$22,707,000) together with trade and other receivables of HK\$12,395,000 (31 December 2006: HK\$4,638,000). The Group's current liabilities comprised mainly trade and other payables of approximately HK\$7,401,000 (31 December 2006: HK\$3,989,000). The Group had no bank borrowings at 30 June 2007 (31 December 2006: Nil) but an outstanding loan granted by government of approximately HK\$1,295,000 at 30 June 2007 (31 December 2006: HK\$1,295,000).

During the six months ended 30 June 2007, the Group financed its operations with its own working capital.

Material acquisitions or disposal of subsidiaries and affiliated companies

During the period under review, Rise Assets Limited (“Rise Assets”), a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Mr. Yang Pei Gen (“the Vendor”) to acquire the entire issued share capital of Silky Sky Investments Limited (“Silky Sky”) and all obligation, indebtedness and liabilities due by Silky Sky to the Vendor for a total consideration of HK\$61,000,000, which was satisfied by the payment of \$20,000,000 in cash, and by the issue of 135,750,000 ordinary shares of the Company of HK\$0.125 each and by the issue of a promissory note at HK\$24,031,250.

Sky Rich Investments Limited, a wholly-owned subsidiary of Silky Sky, is owned as to 51% of interest in Beijing Shiji Jiangshan Resource Recycling Technology Limited (“Shiji Jiangshan”). Shiji Jiangshan, an equity joint venture company established in the PRC, is principally engaged in the production and distribution of organic fertilizer through a technology which converts organic wastes into organic fertilizer.

Save as disclosed above, there were no other material acquisitions or disposal of subsidiaries and affiliated companies in the course of the six months ended 30 June 2007.

Foreign exchange risk

The Group had no foreign currency borrowings and is principally operating in Hong Kong and PRC. Therefore, the Group had no significant exposure to fluctuation in foreign exchange rates and had not taken out any related hedges.

Contingent liabilities

As at 30 June 2007, the group had no material contingent liabilities.

Employee information

As at 30 June 2007, the Group had 26 (31 December 2006: 27) full-time employees. The salary and benefit levels of the Group’s employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group’s salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided.

The Group also adopts employee share option scheme to provide eligible employees a performance incentive for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short position of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance ("SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

(a) Directors' long positions in shares of the Company

Name	Capacity	Number of shares held	Percentage of the issued share capital
Mr. Mo Wai Ming, Lawrence (<i>Note 1</i>)	Beneficial owner	149,824,172	20.01%
Mr. Ma She Shing, Albert (<i>Note 2</i>)	Beneficial owner	5,800,000	0.77%

(b) Directors' short positions in shares of the Company

Name	Capacity	Number of shares held	Percentage of the issued share capital
Mr. Mo Wai Ming, Lawrence (<i>Note 1</i>)	Beneficial owner	129,766,892	17.33%

Notes:

1. Mr. Mo is interested in 144,024,172 shares and was granted options to subscribe for 4,400,000 shares on 5 June 2006 and 1,400,000 shares on 13 February 2007 at a subscription price of HK\$0.21 and HK\$0.19 per share respectively.
2. Mr. Ma was granted options to subscribe for 4,400,000 shares on 5 June 2006 and 1,400,000 shares on 13 February 2007 at a subscription price of HK\$0.21 and HK\$0.19 per share respectively.

Save as disclosed above, as at 30 June 2007, none of the directors nor the chief of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Sections 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SHARE OPTION SCHEME

On 24 January 2003, a Share Option Scheme (the “Scheme”) was approved by a written resolution of the Company. Details of the movements in the number of share options during the period under the Scheme were as follows:

Categories of grantees	As at 1 January 2007	Options granted during the period (Note 1)	Options exercised during the period	Outstanding at 30 June 2007	Exercise price HK\$	Grant date	Exercisable period
Directors							
Mo Wai Ming, Lawrence	4,400,000	-	-	4,400,000	0.21	5/6/2006	5/6/2006 – 4/6/2016
	-	1,400,000	-	1,400,000	0.19	13/2/2007	13/2/2007 – 12/2/2017
Ma She Shing, Albert	4,400,000	-	-	4,400,000	0.21	5/6/2006	5/6/2006 – 4/6/2016
	-	1,400,000	-	1,400,000	0.19	13/2/2007	13/2/2007 – 12/2/2017
Employees							
	10,600,000	-	(3,000,000)	7,600,000	0.21	5/6/2006	5/6/2006 – 4/6/2016
	-	1,200,000	-	1,200,000	0.19	13/2/2007	13/2/2007 – 12/2/2017
	<u>19,400,000</u>	<u>4,000,000</u>	<u>(3,000,000)</u>	<u>20,400,000</u>			

Notes:

- (1) During the period, options to subscribe for 4,000,000 shares were granted on 13 February 2007 at a subscription price of HK\$0.19 per share. The closing price of the shares immediately before the date on which the options were granted was HK\$0.19 on 12 February 2007.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, other than the interests of a director or chief executive of the Company as disclosed under the heading “Directors’ and chief executive’s interests in shares, underlying shares and debentures” above, the interests and short positions of persons 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 were as follows:

Name	Capacity	Number of shares held	Percentage of the issued share capital
Mr. Lau Kim Hung, Jack	Interest of a controlled corporation (<i>Note 1</i>)	129,766,892	17.33%
Manciple Enterprises Limited	Person having a security interest in shares (<i>Note 1</i>)	129,766,892	17.33%
Mr. Yip Yung Kan	Beneficial owner (<i>Note 2</i>)	2,070,000	0.28%
	Interest of a controlled corporation (<i>Note 3</i>)	117,800,000	15.73%
Mr. Yang Pei Gen	Beneficial owner	135,750,000	18.13%

Notes:

1. Pursuant to a share charge agreement dated 13 April 2005, 129,766,892 of the 144,024,172 shares held by Mr. Mo Wai Ming, Lawrence, have been charged in favour of Manciple Enterprises Limited (“Manciple”), a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“Mr. Lau”) who is a third party independent of, and not connected with the Company and its connected persons. Under the SFO, each of Manciple and Mr. Lau is deemed to be interested in these 129,766,892 shares.
2. Mr. Yip Yung Kan (“Mr. Yip”) held 1,970,000 shares and his spouse, Ms. Lei I Si held 100,000 shares.
3. Mr. Yip beneficially owns 100% issued share capital of Glory Force Limited which was granted 117,800,000 warrants on 14 September 2006 to subscribe for 117,800,000 new shares at a subscription price of HK\$0.155 per share. On 22 June 2007, the subscription rights attaching to 20,000,000 warrants were exercised, resulting in issue of 20,000,000 ordinary shares.

Save as disclosed above, as at 30 June 2007, the directors of the Company were not aware of any other person (other than the directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

The directors believe that none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company have an interest in a business which competes or may compete with business of the Group.

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

During the period ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions throughout the period ended 30 June 2007.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

During the six months ended 30 June 2007, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules except that no nomination committee of the Board is established.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

AUDIT COMMITTEE

The Company established an audit committee on 24 January 2003 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee comprises Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent, who are the independent non-executive directors of the Company.

The Group's unaudited consolidated financial statements for the six months ended 30 June 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

As at the date of this announcement, Mr. Mo Wai Ming, Lawrence, Mr. Ma She Shing, Albert, Mr. Pang Hong Tao, Peter and Ms. Au Shui Ming, Anna are executive Directors of the Company, and Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent are independent non-executive Directors of the Company.

By Order of the Board
Ma She Shing, Albert
Chairman

Hong Kong, 13 August 2007