

FinTronics

银创控股

FINTRONICS HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706

INTERIM REPORT 2007

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Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June					
		2007		Total \$'000	2006		Total \$'000
		Continued operations \$'000	Discontinued operations \$'000		Continued operation \$'000	Discontinued operations \$'000	
Turnover	2	38,258	6,000	44,258	36,827	23,806	60,633
Cost of sales		(35,147)	(4,802)	(39,949)	(33,919)	(15,375)	(49,294)
Gross profit		3,111	1,198	4,309	2,908	8,431	11,339
Other revenue		4,942	147	5,089	590	1,085	1,675
Selling and distribution expenses		-	(1,621)	(1,621)	-	(3,266)	(3,266)
Administrative expenses		(25,491)	(2,960)	(28,451)	(23,127)	(5,450)	(28,577)
(Loss)/profit from operations	2	(17,438)	(3,236)	(20,674)	(19,629)	800	(18,829)
Loss on disposal of subsidiaries		(8,327)	-	(8,327)	-	-	-
Finance costs		(1,023)	(234)	(1,257)	(1,547)	(497)	(2,044)
Share of profits less losses of associates		-	-	-	(327)	-	(327)
Loss before taxation	3	(26,788)	(3,470)	(30,258)	(21,503)	303	(21,200)
Income tax (expense)/credit	4	-	-	-	-	(146)	(146)
(Loss)/Profit after taxation		(26,788)	(3,470)	(30,258)	(21,503)	157	(21,346)
Attributable to:							
Equity holders of the parent		(26,788)	(3,015)	(29,803)	(21,503)	(514)	(22,017)
Minority interests		-	(455)	(455)	-	671	671
(Loss)/Profit after taxation		(26,788)	(3,470)	(30,258)	(21,503)	157	(21,346)
Loss per share	6						
Basic (cents)		(1.90)	(0.21)	(2.11)	(2.66)	(0.06)	(2.72)
Diluted (cents)		N/A	N/A	N/A	N/A	N/A	N/A

The notes on pages 7 to 12 form part of this interim financial report.

Consolidated Balance Sheet (Unaudited)

At 30 June 2007
(Expressed in Hong Kong dollars)

	Note	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Non-current assets			
Property, plant and equipment			
– Investment properties		8,350	8,350
– property, plant and equipment		49,900	49,825
– prepaid land lease payments		4,299	4,318
		62,549	62,493
Goodwill		45,629	45,629
Intangible assets		42,375	42,375
Pledged deposits		17,516	17,516
		168,069	168,013
Current assets			
Trade and other receivables	7	28,045	20,768
Bank and cash balances	8	283,895	92,348
		311,940	113,116
Assets classified as held for sale		–	90,806
		311,940	203,922
Current liabilities			
Trade and other payables	9	12,796	29,672
Loans and overdraft	10	25,906	45,736
Finance lease payables		561	496
Current tax liabilities		432	432
		39,695	76,336
Liabilities classified as held for sale		–	69,252
		39,695	145,588
Net current assets		272,245	58,334
Total assets less current liabilities		440,314	226,347
Non current liabilities			
Finance lease payables		322	630
Deferred tax liabilities		7,988	11,331
Convertible loan		62,400	–
		70,710	11,961
NET ASSETS		369,604	214,386
CAPITAL AND RESERVES			
Share capital		170,783	136,778
Reserves		198,821	70,385
Total equity attributable to equity holders of the company		369,604	207,163
Minority interests		–	7,223
TOTAL EQUITY		369,604	214,386

The notes on pages 7 to 12 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

	Attributable to equity holders of the parent										
	Share capital	Share premium	General reserve	Translation reserve	Buildings revaluation reserve	Warrant reserve	Share options reserve	Retained earnings	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2006	52,864	217,055	6,008	6,710	68	1,735	-	(23,043)	261,397	3,685	265,082
Exchange differences on translation of the financial statement of subsidiaries outside HK	-	-	105	-	-	-	-	-	105	-	105
Issue of share capital	52,914	11	-	-	-	-	-	-	52,925	-	52,925
Share based payment	-	-	-	-	-	-	1,760	-	1,760	-	1,760
Loss for the period	-	-	-	-	-	-	-	(22,017)	(22,017)	671	(21,346)
At 30 June 2006	105,778	217,066	6,113	6,710	68	1,735	1,760	(45,060)	294,170	4,356	298,526
At 1 January 2007	136,778	268,970	6,462	13,339	68	2,662	4,513	(225,629)	207,163	7,223	214,386
Exercise of share options	4,556	1,430	-	-	-	-	-	-	5,986	-	5,986
Exercise of warrants	2,963	4,739	-	-	-	-	-	-	7,702	-	7,702
Release of reserve to share premium	-	2,568	-	-	-	(425)	(2,143)	-	-	-	-
Subscription of shares	26,486	141,180	-	-	-	-	-	-	167,666	-	167,666
Disposal of subsidiaries	-	-	14,063	(2,794)	-	-	-	-	11,269	(7,223)	4,046
Injection of share capital	-	-	-	(379)	-	-	-	-	(379)	-	(379)
Loss for the period	-	-	-	-	-	-	-	(29,803)	(29,803)	-	(29,803)
At 30 June 2007	170,783	418,887	20,525	10,166	68	2,237	2,370	(255,432)	369,604	-	369,604

The notes on pages 7 to 12 form part of this interim financial report.

Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

Notes:

(i) Share premium

Under the Bermuda Companies Act 1981 (as amended), the funds in the share premium account are distributable in the form of fully paid bonus shares.

(ii) General reserve

According to the relevant rules and regulations in the PRC, the group's subsidiaries in the PRC should appropriate part of their profits after taxation to general reserve, which can be used to make good losses and to convert into paid-up capital.

(iii) Translation reserve

Translation reserve represents exchange differences arising from the translation of the financial statements of subsidiaries and associates operating outside Hong Kong.

(iv) Warrant reserve

Warrant reserve represents the proceeds received from the issue of warrants of the company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

(v) Buildings revaluation reserve

The buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for revaluation of buildings held for own use.

(vi) Share options reserve

With effect from 1 January 2005, in order to comply with HKFRS 2 "Share-based Payment", the Group recognizes the fair value of such share options as an expense in the income statement. A corresponding increase is recognized in a share options reserve.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2007 \$'000	2006 \$'000
Net cash used in operating activities		(39,508)	(14,209)
Net cash (used in)/generated from investing activities		(11,355)	14,686
Net cash generated from financing activities		238,514	47,637
Net increase in cash and cash equivalents		187,651	48,114
Effect of foreign exchange rates changes		253	–
Cash and cash equivalents at 1 January	8	95,991	(7,620)
Cash and cash equivalents at 30 June	8	283,895	40,494

The notes on pages 7 to 12 form part of this interim financial report.

Notes on the Unaudited Interim Financial Report

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorized for issuance on 24 September 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

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

This interim financial report contains 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 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 SEGMENTAL INFORMATION

Business segments

The entity’s primary format for reporting segment information is business segments. Revenue from external customers represents the sales value of goods supplied to customers and income from the provision of software development and systems integration services and provision of automatic teller machines services.

Notes on the Unaudited Interim Financial Report

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

2 SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

For the six months ended 30 June	Continuing operations				Discontinued operation		Consolidated	
	Sale of integrated circuits and computer softwares		Provision of automatic teller machines services		Software development and system integration services			
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from external customers	35,443	34,200	2,815	2,627	6,000	23,806	44,258	60,633
Other revenue from external customers	204	422	298	-	147	1,056	649	1,478
Total	35,647	34,622	3,113	2,627	6,147	24,862	44,907	62,111
Segment result	302	(2,314)	(5,862)	551	(3,236)	850	(8,796)	(913)
Unallocated operating income and expenses							(11,878)	(17,916)
Loss from operations							(20,674)	(18,829)

3 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2007 \$'000	2006 \$'000
Interest on bank borrowings	985	1,801
Amortisation of land lease premium	2	2
Amortisation of intangible assets	0	380
Depreciation	3,683	6,277
Interest income	(1,072)	(294)

Notes on the Unaudited Interim Financial Report

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

4 INCOME TAX (CREDIT)/EXPENSE

	Six months ended	
	30 June	
	2007	2006
	\$'000	\$'000
Current tax – PRC		
Tax for the period	–	146
Deferred taxation		
Origination and reversal of temporary differences	–	–
	–	146

No provision for Hong Kong Profits Tax has been made as the group sustained a loss for taxation purposes for the periods ended 30 June 2007 and 2006.

The PRC income tax has been calculated at the prevailing income tax rates under the relevant PRC income tax rules and regulations applicable to the subsidiaries and the associate. Certain subsidiaries were granted exemptions and relief from the PRC income tax by the relevant local tax bureau.

The PRC subsidiaries of the group prepared their financial statements in accordance with the PRC accounting standards and regulations (the "PRC GAAP"). Deferred taxation mainly represents the differences between the PRC GAAP and HKFRSs in respect of accounting differences in income recognition.

5 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: \$Nil).

Notes on the Unaudited Interim Financial Report

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

6 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the loss attributable to equity holders of the parent of HK\$29,803,000 for the six months ended 30 June 2007 (2006: HK\$22,017,000) and the weighted average number of ordinary shares of 1,407,578,000 (2006: 809,295,000) in issue during the period.

(b) Diluted

The amount of diluted loss per share is not presented as the effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2007 and 2006.

7 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors and bills receivable (net of impairment losses) with the following ageing analysis:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Current	8,354	7,147
1 to 3 months overdue	–	2,841
More than 3 months overdue but less than 12 months overdue	–	–
Overdue beyond 1 year	–	–
Total debtors, net of impairment loss	8,354	9,988
Prepayments, deposits and other receivables	19,691	10,780
	28,045	20,768

Credit terms granted by the group to the customers generally range from 30 days to 150 days. However, debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

Notes on the Unaudited Interim Financial Report

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

8 CASH AND CASH EQUIVALENTS

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Cash at bank and in hand	283,895	92,348
Bank overdraft	–	(14,833)
	283,895	77,515
Cash and cash equivalents included in the disposal group held for sale	–	18,476
Cash and cash equivalents in the consolidated cash flow statement	283,895	95,991

9 TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors and bills payable with the following ageing analysis:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Due within 3 months or on demand	673	4,191
Overdue 3 months to 1 year	206	–
Overdue beyond 1 year	–	–
Total creditors and bills payable	879	4,191
Deposit received for disposal of SI companies	–	13,000
Other payables and accrued liabilities	11,917	12,481
	12,796	29,672

Notes on the Unaudited Interim Financial Report

For the six months ended 30 June 2007
(Expressed in Hong Kong dollars)

10 LOANS AND OVERDRAFT

As at 30 June 2007, the group had banking facilities totalling \$67,000,000 (31 December 2006: \$87,000,000). At 30 June 2007, the banking facilities were utilised to the extent of \$25,906,000 (31 December 2006: \$75,071,000).

11 COMMITMENTS

(a) Commitments under operating leases

At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
With 1 year	3,708	1,816
After 1 year but within 5 years	5,820	307
	9,528	2,123

(b) Capital commitments

Capital commitments outstanding at 30 June 2007 not provided for in the interim financial report were as follows:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Contracted but not provided for	9,724	12,011

12 CONTINGENT LIABILITIES

Certain buildings held for own use of the group with an aggregate carrying value of \$5,562,000 (31 December 2006: \$5,599,000) were pledged and corporate guarantee of the company was given as security for banking facilities amounting to \$6,000,000 (31 December 2006: \$6,000,000) granted to a subsidiary of a former related company in return for a handling fee. As at 30 June 2007, the amount of the facilities utilised was \$4,089,000 (31 December 2006: \$5,219,000).

Management Discussion and analysis

BUSINESS REVIEW

Combining the expertise of one of our largest shareholders – Customers Asia Limited (“Customers Asia”), and that of our subsidiary – Loten Technology Co., Ltd. (“Loten”), the leading ATM and related services provider in Mainland China, FinTronics reported smooth progress in the development of the its ATM services operation.

During the period under review, FinTronics created the ATM ISO business infrastructure to facilitate implementation of related business strategy and plans. We brought in an industry expert of 30 years’ experience to be the head of our ATM operations in China and to help us achieve our regional sales and ATM deployment targets. We also filled four regional Vice President positions through recruitment and internal transfer. To better manage regional sales, we opened a new office in Shenzhen and another in Shanghai, and moved our Beijing office to a more convenient and cost effective location.

We continued to deploy ATMs in its self-operated network. Having deployed in all 400 devices, the Group now has approximately 10% share of market for Independent ATM Deployer (“IAD”) in China. During the period under review, FinTronics also signed cooperation agreements with the head office as well as regional and local offices of China Unionpay (“CUP”), and won four more contracts with other regional and national banks, securing in all orders for over 7,000 ATMs.

In February 2007, FinTronics agreed to dispose of its SI companies at a total consideration of HK\$14,330,000, so as to free resources for injecting into its ATM business. Therefore, this segment did not make significant contribution in the period under review.

Management Discussion and analysis

PROSPECTS

Looking ahead, market demand for ATM devices will remain strong with the authority requiring banks to shorten the waiting time for service by bank customers. The most effective way to achieve that is for banks to provide more self-service points with multi-functional ATMs. As such, the management is optimistic about the prospects of FinTronics and expects it to continue to win new ATM deployment contracts and speed up deployment rate.

With ATM business carrying strong growth potential having become our core business, we are confident of the Group's ability to deliver improved performance in the second half of 2007.

With deployment contracts on hand, we believe we will be able to achieve the target of deploying 1,500 ATMs by the end of 2007. By then, FinTronics will have approximately 20% share of the IAD market. In addition to growing our ATM network, we will continue to work with our partners to boost transaction revenue by providing value-added transactions such as utility bill payment, mobile phone top-up, dispensing of lottery tickets and advertising, etc. on our ATMs.

We will make use of our international industry knowledge and experience to secure more ATM deployment contracts and extend the reach of our ATM network with the objective of becoming the leading ATM and self-service device provider in Mainland China. We are planning to expand our ATM network through organic growth as well as acquisition of existing off-premise ATM networks and smaller ATM ISO companies. Backed by abundant financial resources, the Group is making good progress with its growth plans.

The Group has resolved to acquire 100% interest in Tianjin ATM Company in September. The principal business of Tianjin ATM Company is similar to that of the Group, which includes the procurement, deployment and operation of ATMs, the provision of maintenance and technical support services for ATMs, and the development of value-added services for ATMs in collaboration with commercial banks in the PRC. The acquisition will not only accelerate the Group's growth in the PRC market, but also offer better operational synergies and economies of scale.

Looking ahead, armed with strong local market knowledge and international ATM operation expertise and technology, we will firmly grasp new opportunities that can allow us to consolidate FinTronics' leadership in the dynamic and fast-growing ATM market in Mainland China.

FinTronics is committed to establishing a top-tier ATM service network and become one of the largest ATM network providers in the next few years. As always, our ultimate goal is to deliver substantial value to our shareholders.

Management Discussion and analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group had cash and bank balances HK\$301.4 million (31 December 2006: HK\$109.9 million) of which HK\$17.5 million (31 December 2006: HK\$17.5 million) were pledged to banks for facilities granted to the Group. About 23% and 6% of these liquid funds were denominated in Renminbi and US dollars respectively and the remainder in HK dollars.

Bank loans and overdrafts of the Group as at 30 June 2007 amounted to HK\$25.9 million (31 December 2006: HK\$45.7 million) and were all repayable within one year. As at 30 June 2007, the total asset value of the Group was HK\$480.5 million (31 December 2006: HK\$371.9 million) whereas the total liabilities was HK\$110.9 million (31 December 2006: HK\$157.5 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 23.1% (31 December 2005: 42.4%).

Of the total borrowings as at 30 June 2007, all of them are denominated in US dollars, and none of them were at fixed interest rates.

As at 30 June 2007, the Group had available aggregate banking facilities of HK\$67.0 million (31 December 2006: HK\$87.0 million) of which HK\$41.1 million (31 December 2006: HK\$11.9 million) has not been utilised.

Assets charged as security for banking facilities included bank deposits totalling HK\$17.5 million (31 December 2006: HK\$17.5 million) and investment properties of the Group valued at HK8.3 million (31 December 2006: HK\$8.3 million) as at 30 June 2007.

The Group maintained a net cash (being the total cash and bank balances net of total bank borrowings) to equity ratio of 74.5% (31 December 2006: 28.7%) as at 30 June 2007. With net cash of HK\$275.5 million (31 December 2006: net cash of HK\$61.5 million) as at 30 June 2007, the Group's liquidity position is healthy and the directors of the Company ("Directors") believe that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

CONTINGENT LIABILITIES

As at 30 June 2007, certain buildings held for own use of the Group with an aggregate carrying value of HK\$5,562,000 (31 December 2006: HK\$5,599,000) were pledged and corporate guarantee of the Company was given as security for banking facilities amounting to HK\$6,000,000 (31 December 2006: HK\$6,000,000) granted to a subsidiary of a former related company. As at 30 June 2007, the amount of the facilities utilised was HK\$4,089,000.

As at 30 June 2007, the Group had contingent liabilities in connection with performance bonds for suppliers amounting to HK\$5,148,000 (31 December 2006: HK\$3,588,000).

Management Discussion and analysis

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2007, the Group had approximately 67 (31 December 2006: 549) employees. Employees' costs (including directors' emoluments) amounted to HK\$9,674,000 (2006: HK\$14,207,000) for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

The Directors believe that experienced staff, in particular its technicians, are the most valuable assets of the Group. Training programs are provided to technicians, especially new recruits, to ensure their technical proficiency.

The Company operates a share option scheme (the "Scheme") whereby the board of Directors (the "Board") may at their absolute discretion, grant options to employees and Executive Directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme.

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the Directors and chief executive of the Company in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name	Company	Name of capacity	Name and class of securities
Sze Wai, Marco	The Company	Interest of controlled corporation (note 2)	264,869,906 ordinary shares(L)
	The Company	Beneficial owner	4,500,000 ordinary shares(L) (note 3)
Chu Chi Shing	The Company	Beneficial owner	4,500,000 ordinary shares(L) (note 3)
Song Jing Sheng	The Company	Beneficial owner	41,876,923 ordinary shares(L) (note 4)
	The Company	Beneficial owner	2,000,000 ordinary shares(L) (note 3)
Robert Kenneth Gaunt	The Company	Interest of controlled corporation (note 5)	1,700,000 ordinary shares(L)
Wong Po Yan	The Company	Beneficial owner	1,000,000 ordinary shares(L) (note 3)
Mao Zhenhua	The Company	Beneficial owner	1,000,000 ordinary shares(L) (note 3)
Chong Yiu Kan, Sherman	The Company	Beneficial owner	1,000,000 ordinary shares(L) (note 3)

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company.
2. These shares were held by Leading Value Industrial Limited which is wholly-owned by Mr. Sze Wai, Marco.
3. These shares were the respective number of shares which would be allotted and issued upon exercise in full of the options granted to such Directors under the share option schemes of the Company.
4. Included in these shares were (i) 33,800,000 issued shares and (ii) 8,076,923 shares which would fall to be allotted and issued pursuant to the exercise of the subscription rights attaching to the unlisted warrants issued to him by the Company.
5. These shares were held by Blazzed Pty Ltd., a company wholly owned by Robert Kenneth Gaunt.

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company had any interest and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were 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 and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company (the "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees, non-executive directors, any suppliers and customers of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options to be granted after 1 September 2001, the exercise price of the options will be the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the options and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(Continued)*

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other operative share option schemes of the Group may not in aggregate exceed 105,778,000, being 10% of the shares in issue of the Company as at 30 June 2006, the date of which the resolution is passed pursuant to the share option scheme.

At 30 June 2007, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share is HK\$0.55 at the balance sheet date) granted at nominal consideration of HK\$1.00 for each lot of share options granted under the share option scheme operated by the Company, each option gives the holder the right to subscribe for one share:

The following share options were outstanding under the share option schemes during the year:

	Date granted	Exercisable period	Exercise price of share options (note a) HK\$	Number of options			
				Outstanding at 1.1.2007	Granted during the period	Exercised/ lapsed during the period	Outstanding at 30.6.2007
Old Scheme							
Directors							
Mr. CHU Chi Shing	06 Jun 1999	10 years	1.08	2,100,000	-	-	2,100,000
	28 Dec.1999	10 years	1.32	200,000	-	-	200,000
	14 May 2001	10 years	0.58	200,000	-	-	200,000
Mr. SZE Wai, Marco	14 May 2001	10 years	0.58	3,500,000	-	-	3,500,000
Former Director							
Mr. CHIU Chi Shun, Clarence	14 May 2001	10 years	0.58	3,500,000	-	(3,500,000)	-
Employees							
	06 Jun 1999	10 years	1.08	2,881,000	-	(2,100,000)	781,000
	20 Dec 1999	10 years	1.13	100,000	-	-	100,000
	28 Dec.1999	10 years	1.32	650,000	-	(650,000)	-
	3 Jan 2000	10 years	1.44	560,000	-	(40,000)	520,000
	28 Feb 2000	10 years	2.06	40,000	-	(40,000)	-
	21 Jul 2000	10 years	1.14	200,000	-	(200,000)	-
	14 May 2001	10 years	0.58	1,750,000	-	-	1,750,000

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES (Continued)

Date granted	Exercisable period	Exercise price of share options HK\$	Outstanding at 1.1.2007	Number of options			
				Granted during the period	Exercised/ lapsed during the period	Outstanding at 30.6.2007	
New Scheme							
Directors							
Mr. SZE Wai, Marco	31.10.2006	10 years	0.250	1,000,000	-	-	1,000,000
Mr. CHU Chi Shing	31.10.2006	10 years	0.250	2,000,000	-	-	2,000,000
Mr. SONG Jing Sheng	31.10.2006	10 years	0.250	2,000,000	-	-	2,000,000
Mr. GU Peijian (Resigned on 27.1.07)	31.10.2006	10 years	0.250	1,000,000	-	(500,000)	500,000
Mr. MAO Zhenhua	31.10.2006	10 years	0.250	1,000,000	-	-	1,000,000
Mr. WONG Po Yan	31.10.2006	10 years	0.250	1,000,000	-	-	1,000,000
Mr. CHONG Yiu Kan	31.10.2006	10 years	0.250	1,000,000	-	-	1,000,000
Employees							
	20.03.2006	10 years	0.122	43,560,000	-	(41,060,000)	2,500,000
	04.10.2006	10 years	0.213	3,000,000	-	-	3,000,000
	02.01.2007	10 years	0.285	-	2,400,000	-	2,400,000
Consultants							
	04.10.2006	10 years	0.213	8,000,000	-	(4,000,000)	4,000,000
				79,241,000	2,400,000	(52,090,000)	29,551,000

The share options are exercisable for a period of ten years commencing from the date of grant and subject to the vesting provisions as follows:

Date granted	Vesting period	Percentage of options vested
16.06.1999	16.06.1999 – 01.10.1999	Nil
	02.10.1999 – 01.01.2000	10%
	02.01.2000 – 01.01.2001	30%
	02.01.2001 – 01.01.2002	60%
	02.01.2002 – 01.07.2002	90%
	02.07.2002 – 05.07.2009	100%
30.12.1999, 03.01.2000, 28.02.2000 and 21.07.2000	Date of grant – 01.01.2001	Nil
	02.01.2001 – 01.01.2002	30%
	02.01.2002 – 01.01.2003	60%
	02.01.2003 – 10 years from the date of grant	100%

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(Continued)*

Date granted	Vesting period	Percentage of options vested
28.12.1999	28.12.1999 – 31.01.2001	Nil
	01.02.2001 – 27.12.2009	100%
14.05.2001	14.05.2001 – 30.09.2001	Nil
	01.10.2001 – 01.01.2002	40%
	02.01.2002 – 01.01.2003	70%
	02.01.2003 – 03.06.2011	100%
20.03.2006	21.03.2006 – 20.03.2016	100%
04.10.2006	04.10.2006 – 03.04.2007	Nil
	04.04.2007 – 03.10.2007	50%
	04.10.2007 – 03.10.2016	100%
31.10.2006	31.10.2006 – 30.04.2007	Nil
	01.05.2006 – 31.10.2007	50%
	01.11.2007 – 30.10.2016	100%
02.01.2007	02.01.2007 – 01.01.2008	Nil
	02.01.2008 – 01.01.2009	33.3%
	02.01.2009 – 01.01.2010	66.6%
	02.01.2010 – 02.01.2017	100%

The weighted average value per option granted in 2002 estimated at the date of grant using the Black-Scholes pricing model was HK\$0.67. The weighted average assumptions used are as follows:

	2002
Risk-free interest rate	3.97%
Expected life (in years)	10
Volatility	0.08
Expected dividend per share	–

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Apart from the foregoing, at no time during the period was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Company's Directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or any other body corporate.

Other Information Provided in Accordance with the Listing Rules

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 30 June 2007, the following persons and entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of ordinary Shares <i>(note 1)</i>	Capacity	Approximate percentage of interest
Leading Value Industrial Limited <i>(note 2)</i>	264,869,906 (L)	Beneficial owner	15.51
Customers Asia Limited	450,000,000 (L)	Beneficial owner <i>(note 3)</i>	26.35
Customers Limited	450,000,000 (L)	Interest of controlled corporation <i>(note 3)</i>	26.35
Wen Jian Zhu	100,000,000 (L)	Beneficial owner	5.85

Notes:

1. The letter "L" represents the entity's interests in the Shares.
2. Leading Value Industrial Limited is a company wholly owned by Sze Wai, Marco, who is an executive Director.
3. Customers Asia Limited is wholly owned by Customers Limited. Customers Limited is a company whose shares are listed on the Australian Stock Exchange.

Save as disclosed above, as at 30 June 2007, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

Other Information Provided in Accordance with the Listing Rules

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

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

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("Code on CG Practices") throughout the period ended 30 June 2007.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, as the Code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 June 2007.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, and to provide advice and comments thereon to the Board. The audit committee comprises three independent non-executive directors, namely Mr. Wong Po Yan, Mr. Mao Zhenhua and Mr. Chong Yiu Kan, Sherman. Mr. Chong Yiu Kan, Sherman is the chairman of the audit committee. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the interim report for the period ended 30 June 2007.

Other Information Provided in Accordance with the Listing Rules

BOARD OF DIRECTORS

As at the date hereof, the board of directors of the Company comprises Sze Wai, Marco, Chu Chi Shing, Robert Kenneth Gaunt, Robertus Martinus Andreas Broers, Song Jing Sheng and Tan Shu Jiang as executive Directors, Zee Zin Yee as non-executive Director and Wong Po Yan, Mao Zhenhua and Chong Yiu Kan, Sherman as independent non-executive Directors.

By order of the Board

Sze Wai, Marco

Chairman

Hong Kong, 24 September 2007