



FinTronics

银创控股

FINTRONICS HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706

FinTronics

INTERIM REPORT 2011

Contents

2	Condensed Consolidated Statement of Comprehensive Income
3	Condensed Consolidated Statement of Financial Position
4	Condensed Consolidated Statement of Changes in Equity
5	Condensed Consolidated Statement of Cash Flows
6	Notes to the Condensed Consolidated Financial Statements
13	Management Discussion and Analysis
16	Other Information Provided in Accordance with the Listing Rules

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Turnover	3	6,235	5,665
Cost of sales		–	–
Gross profit		6,235	5,665
Other income	4	2,215	5,659
Administrative expenses		(29,182)	(43,261)
Other operating expenses		(106)	(741)
Loss from operations		(20,838)	(32,678)
Fair value gain on derivative component of convertible bonds		–	435
Finance costs	5	(24)	(1,172)
Loss on conversion of convertible bonds		–	(923)
Loss before income tax		(20,862)	(34,338)
Income tax credit	6	293	499
Loss for the period	7	(20,569)	(33,839)
Loss per share	9		
Basic (cents)		(0.96)	(1.77)
Diluted (cents)		N/A	N/A
Loss for the period		(20,569)	(33,839)
Other comprehensive income for the period, net of tax			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		6,217	693
Total comprehensive loss for the period		(14,352)	(33,146)

The notes on pages 6 to 12 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		31,453	30,302
Intangible assets		19,735	20,935
Pledged bank deposit		5,000	5,000
		56,188	56,237
Current assets			
Trade and other receivables	10	19,504	50,824
Bank and cash balances		170,637	151,081
		190,141	201,905
Current liabilities			
Trade and other payables	11	7,204	8,809
Finance lease liabilities		790	–
		7,994	8,809
Net current assets			
		182,147	193,096
Total assets less current liabilities			
		238,335	249,333
Non-current liabilities			
Finance Lease Liabilities		3,647	–
Deferred tax liabilities		3,031	3,324
		6,678	3,324
NET ASSETS			
		231,657	246,009
Capital and reserves			
Share capital	12	213,808	213,808
Reserves		17,849	32,201
TOTAL EQUITY			
		231,657	246,009

The notes on pages 6 to 12 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	(Unaudited)						
	Attributable to owners of the Company						
	Share capital	Share premium	Translation reserve	Property revaluation reserve	Share option reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	184,328	441,717	22,528	11	8,518	(425,285)	231,817
Other comprehensive income for the period	-	-	693	-	-	-	693
Conversion of convertible bonds	29,460	47,290	-	-	-	-	76,750
Exercise of share options	20	74	-	-	(40)	-	54
Disposal of property	-	-	-	(11)	-	11	-
Loss for the period	-	-	-	-	-	(33,839)	(33,839)
At 30 June 2010	213,808	489,081	23,221	-	8,478	(459,113)	275,475
At 1 January 2011	213,808	489,081	28,907	-	7,578	(493,365)	246,009
Other comprehensive income for the period	-	-	6,217	-	-	-	6,217
Loss for the period	-	-	-	-	-	(20,569)	(20,569)
At 30 June 2011	213,808	489,081	35,124	-	7,578	(513,934)	231,657

The notes on pages 6 to 12 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash from/(used in) operating activities	14,499	(33,529)
Net cash (used in)/generated from investing activities	(4,995)	6,099
Net cash generated from financing activities	4,413	70,496
Net increase in cash and cash equivalents	13,917	43,066
Effect of foreign exchange rate changes	5,639	695
Cash and cash equivalents at 1 January	151,081	158,894
Cash and cash equivalents at 30 June	170,637	202,655

The notes on pages 6 to 12 form part of this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1 BASIS OF PREPARATION

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

The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2010.

New and revised standards, amendments and interpretations effective in the current period

In the current interim period, the Group has applied, for the first time, the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2011. The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ³

¹ Effective for annual periods beginning on or after July 1, 2011

² Effective for annual periods beginning on or after January 1, 2012

³ Effective for annual periods beginning on or after January 1, 2013

The directors of the Company anticipate that the application of the new and revised HKFRSs issued but not yet effective will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3 SEGMENT INFORMATION

The Group operates one business segment, which is the provision of "automatic teller machines" services. No separate segment information is prepared according to HKFRS 8 "operating segments".

All operating assets and operations of the Group during the periods ended 30 June 2011 and 2010 were substantially located and carried out in the PRC.

Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive Officer ("CEO") (being the chief operating decision maker) to make strategic decisions about resources allocation and performance assessment.

The Group's CEO assesses the performance of the operating segment based on a measure of earnings before interest, tax, depreciation and amortisation. This measurement basis of segment results excludes the effects of non-recurring expenditures from the operating segment such as gain on disposal of property, plant and equipment and loss on write-off of property, plant and equipment.

Bank and cash balances held by the Group are not considered to be segment assets but rather are centrally managed by the Chief Finance Officer ("CFO") in Hong Kong.

4 OTHER INCOME

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Gain on disposal of property and prepaid land leases	–	3,529
Interest income	2,215	1,167
Net exchange gains	–	959
Others	–	4
	2,215	5,659

5 FINANCE COSTS

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Finance lease charges	24	–
Interest expenses on convertible bonds	–	1,172
	24	1,172

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

6 INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2010: Nil).

The PRC Corporate income tax rate for the subsidiaries in the PRC is 25% (2010: 25%).

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax - PRC Corporate income tax		
Tax for the period	–	(13)
Deferred taxation		
Origination and reversal of temporary differences	293	512
	293	499

7 LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Amortisation of intangible assets	1,778	1,978
Depreciation:		
– Owned assets	5,829	5,691
– Leased asset	150	–
Loss on conversion of convertible bonds	–	923
Gain on disposal of property, plant and equipment and prepaid land lease	–	(3,529)
Net foreign exchange losses/(gains)	98	(959)
Staff costs including directors' emoluments	6,682	7,087
Write-off of property, plant and equipment (included in other operating expenses)	80	741

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

8 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

9 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share for the six months ended 30 June 2011 is based on the loss for the period attributable to owners of the Company of approximately HK\$20,569,000 (six months ended 30 June 2010: loss of HK\$33,839,000) and the weighted average number of ordinary shares of approximately 2,138,085,000 (six months ended 30 June 2010: 1,864,606,000) 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 2011 and 2010.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for impairment losses for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Current	1,337	650
1 to 3 months overdue	352	377
3 months to 12 months	582	627
Over 1 year	–	40
Total trade receivables	2,271	1,694
Prepayments, deposits and other receivables	17,233	49,130
Total trade and other receivables	19,504	50,824

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

10 TRADE AND OTHER RECEIVABLES (Continued)

The Group's trading terms with all customers are mainly on credit. The credit period is generally 90 days. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. Trade receivables with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

11 TRADE AND OTHER PAYABLES

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

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
	<i>Note</i>	
Due within 3 months or on demand	456	282
Overdue 3 months to 1 year	125	160
Overdue 1 year	24	1
Total trade payables	605	443
Other payables and accrued expenses	6,289	7,750
Receipts in advance	310	303
Amount due to a director (a)	-	313
Total trade and other payables	7,204	8,809

Note:

- (a) As at 31 December 2010, the amount was interest free, unsecured and had no fixed terms of repayment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

12 SHARE CAPITAL

	At 30 June 2011 (Unaudited)		At 31 December 2010 (Audited)	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	3,000,000	300,000	3,000,000	300,000
Issued and fully paid:				
At beginning of the reporting period	2,138,085	213,808	1,843,285	184,328
Exercise of share options	-	-	200	20
On conversion of convertible bonds	-	-	294,600	29,460
At end of the reporting period	2,138,085	213,808	2,138,085	213,808

13 LEASE COMMITMENTS

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 (Unaudited) HK\$'000	At 31 December 2010 (Audited) HK\$'000
Within one year	5,701	4,821
In the second to fifth years inclusive	3,524	2,475
	9,225	7,296

Operating lease payments represent rentals payable by the Group for its offices and ATM deployment. Leases are negotiated for a range of one to five years and rentals are fixed over the lease terms and do not include contingent rentals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

14 CONTINGENT LIABILITIES

There were no significant contingent liabilities as at both 30 June 2011 and 31 December 2010.

15 RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group during the six months period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, FinTronics adhered to a prudent strategy and has strived to consolidate its competitive position in China's ATM market. As China's domestic economy continues to improve, with people enjoying greater consumption power, and the bank card business continues to prosper, the Group is engaged in securing new customers through closer cooperation and negotiation with banks, China UnionPay and China Yinshang (中國銀商), and also participated in the project linking up the platforms between China UnionPay and China Yinshang. The Group is tapping the fresh opportunities by providing better ATM business solutions.

Currently, the ATM network operated by FinTronics covers several major cities including Shenzhen, Jinan, Qingdao, Yantai, Shenyang and Changsha. Capitalising on our carefully selected locations, prudent cost control measures and long-term cooperation with customers, we recorded an increase in turnover during the period under review.

To create new income sources and lower the inherent risk in its current unified payment model, the Group and its partners are studying the possibility of generating other income from interbank transaction fees, including a series of value-added services such as on behalf payment services, advertising and online shopping, so as to create a win-win situation for all parties.

Moreover, the Group has continued to implement strict financial and credit controls to ensure the stability of our financial position and minimise financial risk. Meanwhile, we have also enhanced our competitive edge in operation, implemented business consolidation measures and actively controlled operating costs. These measures have enabled us to remain competitive and maintain market share in the industry.

PROSPECTS

According to the statistics of The People's Bank of China, number of ATM reached by 271,900 terminals in 2010, an increase of 26.10% when compared to last year. We forecast that the growth trend in the first half of 2011 will continue in the second half. However, since the growth was mostly attributable to the coverage managed directly by the banks, we expect the growth trend in the industries within which we cooperate with operators in the ATM business to become more conservative. The rising ATM operating costs caused by the persistently high inflation rate in Mainland China should intensify the competition in the industry, which will directly affect the industries where players cooperate with ATM business operators, posing difficulties for their development.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the “Bank Card IC Chips Transfer” implemented across the country has caused uncertainties in resources deployment and effectiveness. Major operators have become cautious, slowing down their business development. With respect to this, the management is assessing industry development in a conservative and prudent way and deferring its expansion plan. We will also closely monitor the progress of the “Bank Card IC Chips Transfer” and devise strategic planning accordingly.

In addition, standalone ATMS have been gaining popularity in Mainland China and presents room for development. As an independent ATM operating organisation, FinTronics has unique advantages in this area. We are identifying opportunities for business development and facilitate expansion of its business.

Looking forward to the second half of the year, the Group will continue to adjust its business strategies to actively control operating costs and address the ever-changing market trends as well as develop the ATM business in a prudent and pragmatic way. In the long term, the Group will continue to expand its existing business, leveraging its healthy financial position and abundant capital on hand. It will also pay close attention to the opportunities that will aid its business growth, thus generating long term return for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had cash and bank balances of HK\$175.6 million (31 December 2010: HK\$156.1 million), of which HK\$5 million (31 December 2010: HK\$5 million) were pledged to banks for facilities granted to the Group.

The Group had no bank and other borrowings but finance lease liabilities of HK\$4.4 million as at 30 June 2011 (31 December 2010: Nil). As at 30 June 2011, the total asset value of the Group was HK\$246.3 million (31 December 2010: HK\$258.1 million) whereas the total liabilities was HK\$14.7 million (31 December 2010: HK\$12.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 6.0% (31 December 2010: 4.7%).

As at 30 June 2011, the Group had available aggregate banking facilities of HK\$5 million (31 December 2010: HK\$5 million) of which HK\$5 million (31 December 2010: HK\$5 million) has not been utilised.

The Group maintained a net cash (being the total cash and bank balances net of total bank borrowings) to equity ratio of 75.8% (31 December 2010: 63.5%) as at 30 June 2011. With net cash of HK\$175.6 million (31 December 2010: HK\$156.1 million) as at 30 June 2011, 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

There were no significant contingent liabilities as at both 30 June 2011 and 31 December 2010.

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 2011, the Group had approximately 50 (31 December 2010: 45) employees. Employees' costs (including directors' emoluments) amounted to approximately HK\$6,682,000 (six months ended 30 June 2010: HK\$7,087,000) 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 may at their absolute discretion, grant options to employees and 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. During the period, no share options were granted to directors, executives and employees to their contribution to the Group.

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 2011, the interests and short positions of the Directors and chief executive of the Company in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 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 Issuers contained in the Listing 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	Number and class of securities <i>(note 1)</i>
Sze Wai, Marco	The Company	Interest of controlled corporation <i>(note 2)</i>	476,909,906 ordinary shares(L)
	The Company	Beneficial owner	7,189,769 ordinary shares(L) <i>(note 3)</i>
Song Jing Sheng	The Company	Beneficial owner	34,000,000 ordinary shares(L)
	The Company	Beneficial owner	3,500,000 ordinary shares(L) <i>(note 3)</i>
Wong Po Yan	The Company	Beneficial owner	2,500,000 ordinary shares(L) <i>(note 3)</i>
Mao Zhenhua	The Company	Beneficial owner	2,500,000 ordinary shares(L) <i>(note 3)</i>
Chong Yiu Kan, Sherman	The Company	Beneficial owner	2,650,000 ordinary shares(L) <i>(note 4)</i>

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 and Global Prize Limited, companies wholly owned by Mr. Sze Wai, Marco.
3. These shares were the 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) 650,000 issued shares and (ii) 2,000,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.

Save as disclosed above, as at 30 June 2011, 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 Issuers 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. Background of the Company's share option scheme is set out in its annual report for the financial year ended 31 December 2010.

At 30 June 2011, 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\$0.20 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:

Grantee	Date granted	Exercisable period	Exercise price of options HK\$	Outstanding at 1.1.2011	Number of share options		
					Exercised during the year	Lapsed during the year	Outstanding at 30.06.2011
Old Scheme							
Director							
Sze Wai, Marco	14 May 2001	1 Oct 2001 – 2 Jun 2011	0.433	4,689,769	–	(4,689,769)	–
Employees							
	14 May 2001	1 Oct 2001 – 2 Jun 2011	0.433	334,983	–	(334,983)	–
New Scheme							
Directors							
Song Jing Sheng	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	2,000,000	–	–	2,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
Sze Wai, Marco	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	–	–	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	–	–	1,500,000
Tan Shu Jiang	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	4,000,000	–	–	4,000,000

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

SHARE OPTION SCHEMES (Continued)

Grantee	Date granted	Exercisable period	Exercise price of options HK\$	Outstanding at 1.1.2011	Number of share options		Outstanding at 30.06.2011
					Exercised during the year	Lapsed during the year	
Independent non-executive directors							
Chong Yiu Kan, Sherman	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	500,000	-	-	500,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	-	-	1,500,000
Mao Zhenhua	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	-	-	1,500,000
Wong Po Yan	31 Oct 2006	1 May 2007 – 30 Oct 2016	0.250	1,000,000	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	1,500,000	-	-	1,500,000
Employees							
	20 Mar 2006	20 Mar 2006 – 19 Mar 2016	0.122	2,000,000	-	-	2,000,000
	04 Oct 2006	4 Apr 2007 – 3 Oct 2016	0.213	1,000,000	-	-	1,000,000
	24 Jun 2009	24 Dec 2009 – 23 Jun 2019	0.270	21,100,000	-	-	21,100,000
				46,124,752	-	(5,024,752)	41,100,000

As the Group granted no share options during the year, no share-based compensation costs have been recognized.

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
20.03.2006	20.03.2006 – 19.03.2016	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%
24.06.2009	24.06.2009 – 23.12.2009	Nil
	24.12.2009 – 23.06.2019	100%

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

SHARE OPTION SCHEMES *(Continued)*

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.

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

As at 30 June 2011, 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>	474,869,906 (L)	Beneficial owner	22.21
Global Prize Limited <i>(note 2)</i>	2,040,000 (L)	Beneficial owner	0.10

Notes:

1. The letter "L" represents the entity's interests in the Shares.
2. Leading Value Industrial Limited and Global Prize Limited are companies wholly owned by Sze Wai, Marco, who is an executive Director.

Save as disclosed above, as at 30 June 2011, 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.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

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 six months ended 30 June 2011, except for the deviations as mentioned below:

1. The positions of the Chairman of the Board and Chief Executive Officer ("CEO") of the Company are both currently carried on by Mr. Sze Wai, Marco. Although Code Provision A.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual, the Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board and the management. The Board members have considerable experience and qualities which they bring to the Company and there is a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors). Given the composition of the Board, the Board believes that it is able to ensure that the balance of power between the Board and the management is not impaired. The Board believes that having the same person performing the roles of both Chairman and CEO does provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group. Such arrangement will be subject to review by the Board from time to time.
2. The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye Laws. Under Article 111 (A) and (B) of the Articles of Association of the Company, one third of the Board must retire by rotation at each annual general meeting of the Company and, if eligible, offer themselves for re-election.
3. The Chairman of the board should attend the annual general meeting. Mr. Sze Wai, Marco, the Chairman of the Board was unable to attend the Company's annual general meeting which was held on 28 June 2011 as there was other commitment that was important to the Company's business.

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 ended 30 June 2011.

OTHER INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

AUDIT COMMITTEE

The Company has established an 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 six months ended 30 June 2011 with the Directors.

BOARD OF DIRECTORS

As at the date hereof, the board of directors of the Company comprises Sze Wai, Marco, Song Jing Sheng and Tan Shu Jiang as executive Directors 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, 26 August 2011