



**TECHNOLOGIES**  
**UNIVERSAL**

Universal Technologies Holdings Limited  
*(Incorporated in the Cayman Islands with limited liability)*  
Stock code: 8091

*INTERIM REPORT*

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2007

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM 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 these 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 the 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. GEM-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 at “[www.hkgem.com](http://www.hkgem.com)” in order to obtain up-to-date information on GEM-listed issuers.

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*This report, for which the directors (the “Directors”) of Universal Technologies Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the requirement of the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on the basis and assumptions that are fair and reasonable.*



**SUMMARY**

- Turnover for the six-month period ended 30 June 2007 amounted to approximately HK\$26.47 million (2006: HK\$15.68 million), representing an increase of 68.81% over the corresponding period in the last year.
- Net profits attributable to shareholders of the Company for the six-month period ended 30 June 2007 amounted to approximately HK\$6.98 million (2006: HK\$1.22 million), representing an increase of 472% over the corresponding period in the last year.
- Basic and diluted earnings per share for the six-month period ended 30 June 2007 amounted to approximately HK0.69 cent (2006: HK0.17 cent).
- The Board does not recommend payment of any dividend for the six-month period ended 30 June 2007 (2006: Nil).

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated financial profits of the Company and its subsidiaries (together, the "Group") for the three-month and six-month periods ended 30 June 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:



**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

		For the six-month period ended 30 June 2007 <i>HK\$'000</i>	For the six-month period ended 30 June 2006 <i>HK\$'000</i>	For the three-month period ended 30 June 2007 <i>HK\$'000</i>	For the three-month period ended 30 June 2006 <i>HK\$'000</i>
	Notes				
Turnover	2	26,468	15,680	15,746	8,686
Other revenue	2	282	365	147	204
		<u>26,750</u>	<u>16,045</u>	<u>15,893</u>	<u>8,890</u>
Cost of sales		(6,630)	(5,238)	(5,061)	(2,287)
Staff costs		(4,272)	(2,080)	(2,435)	(1,066)
Depreciation		(689)	(424)	(353)	(264)
Minimum operating lease rentals		(1,521)	(703)	(833)	(413)
Bad debts written off		-	-	-	-
Other operating expenses		(6,657)	(6,273)	(3,323)	(1,800)
		<u>6,981</u>	<u>1,327</u>	<u>3,888</u>	<u>3,060</u>
Profits from operations	3	6,981	1,327	3,888	3,060
Finance costs		-	(104)	-	(16)
Loss on disposal of fixed assets		-	(5)	-	(5)
		<u>6,981</u>	<u>1,218</u>	<u>3,888</u>	<u>3,039</u>
Profits before taxation		6,981	1,218	3,888	3,039
Income tax expense	5	-	-	-	-
		<u>6,981</u>	<u>1,218</u>	<u>3,888</u>	<u>3,039</u>
Profits for the period		6,981	1,218	3,888	3,039
Attributable to: Shareholders of the Company		<u>6,981</u>	<u>1,218</u>	<u>3,888</u>	<u>3,039</u>
Dividend	6	-	-	-	-
Earnings per share (in HK cent)					
Basic	7	0.69	0.17	0.37	0.41
Diluted	7	0.69	0.17	0.37	0.41



**CONDENSED CONSOLIDATED BALANCE SHEET**

		(Unaudited) As at 30 June 2007 HK\$'000	(Audited) As at 31 December 2006 HK\$'000
NON-CURRENT ASSETS	Note		
Fixed assets	8	6,808	5,530
Goodwill	9	<u>43,050</u>	<u>43,050</u>
		<u>49,858</u>	<u>48,580</u>
CURRENT ASSETS			
Inventories		6,257	2,207
Debtors	10	2,322	2,970
Deposits, prepayments and other receivables		39,010	2,397
Pledged time deposits		-	104
Unpledged time deposits		275	2,000
Cash and bank balances		<u>57,400</u>	<u>56,092</u>
		<u>105,264</u>	<u>65,770</u>
DEDUCT:			
CURRENT LIABILITIES			
Deposits received, sundry creditors and accruals		20,202	31,045
Other payables		-	-
Tax payable		-	-
		<u>20,202</u>	<u>31,045</u>
NET CURRENT ASSETS		<u>85,062</u>	<u>34,725</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>134,920</u>	<u>83,305</u>
DEDUCTS:			
NON-CURRENT LIABILITIES			
Deferred tax liability		1,692	1,692
Other payables		<u>22,280</u>	<u>22,280</u>
		<u>23,972</u>	<u>23,972</u>
NET ASSETS		<u>110,948</u>	<u>59,333</u>
REPRESENTING:			
CAPITAL AND RESERVES			
Share Capital		12,072	9,808
Reserves		<u>98,876</u>	<u>49,525</u>
TOTAL EQUITY		<u>110,948</u>	<u>59,333</u>



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**

	<b>For the six-month period ended 30 June 2007 HK\$'000</b>	For the six-month period ended 30 June 2006 HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<b>(43,153)</b>	4,635
NET CASH USED IN INVESTING ACTIVITIES	<b>(1,967)</b>	(149)
NET CASH FROM FINANCING ACTIVITIES	<b>44,703</b>	12,075
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(417)</b>	16,561
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>58,092</b>	21,765
CASH AND CASH EQUIVALENTS AT 30 JUNE	<b>57,675</b>	38,326
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Unpledged time deposits	275	–
Cash and bank balances	<b>57,400</b>	38,326
	<b>57,675</b>	38,326



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

	Share capital	Share premium	Capital reserve	Special reserve	Exchange reserve	Share Convertible		Statutory reserve	Accumulated losses	Total
						options reserve	bonds reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	6,682	37,426	1,093	10,754	128	1,122	668	-	(47,761)	10,112
Issue of new shares	690	11,385	-	-	-	-	-	-	-	12,075
Conversion of convertible bonds	400	3,600	-	-	-	-	(267)	-	-	3,733
Profits for the period	-	-	-	-	-	-	-	-	1,218	1,218
At 30 June 2006	<u>7,772</u>	<u>52,411</u>	<u>1,093</u>	<u>10,754</u>	<u>128</u>	<u>1,122</u>	<u>401</u>	<u>-</u>	<u>(46,543)</u>	<u>27,138</u>
At 1 January 2007	9,808	76,528	1,093	10,754	1,095	1,934	-	1,147	(43,026)	59,333
Issue of new shares	1,993	38,026	-	-	-	-	-	-	-	40,019
Exercise of share options	271	4,413	-	-	-	-	-	-	-	4,684
Transferred to accumulated losses	-	-	-	-	-	(1,575)	-	-	1,575	-
Exchange differences arising on translation of financial statements of subsidiaries established in the PRC	-	-	-	-	(69)	-	-	-	-	(69)
Profit for the period	-	-	-	-	-	-	-	-	6,981	6,981
At 30 June 2007	<u>12,072</u>	<u>118,967</u>	<u>1,093</u>	<u>10,754</u>	<u>1,026</u>	<u>359</u>	<u>-</u>	<u>1,147</u>	<u>(34,470)</u>	<u>110,948</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2007

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 27 March 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of the registered office is Unit 231-233, Building 2, Phase I, No. 1 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.

Pursuant to the reorganisation to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in October 2001, the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on GEM on 26 October 2001.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which also includes Hong Kong Accounting Standards ("HKAS") and Interpretations approved by the HKICPA, and are prepared under the historical cost convention.

The principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended 31 December 2006.

### 2. TURNOVER AND REVENUE

The Group is principally engaged in investment holding, provision of online and mobile payment and related services, timber manufacturing and trading, system integration and related technical support services. Turnover for the period represents revenue recognised from the provision of online payment handling income net of business tax, net invoiced amount from manufacturing and trading, system integration and the related consultancy services at net invoice amount. An analysis of the Group's turnover and other revenue is set out below:

	<b>For the six-month period ended 30 June 2007 HK\$'000</b>	For the six-month period ended 30 June 2006 HK\$'000	<b>For the three-month period ended 30 June 2007 HK\$'000</b>	For the three-month period ended 30 June 2006 HK\$'000
Online and mobile payment and related services income	<b>18,424</b>	10,125	<b>9,285</b>	6,314
Timber manufacturing and trading	<b>8,044</b>	4,716	<b>6,461</b>	2,271
System integration and related technical support services	–	839	–	101
Turnover	<b>26,468</b>	15,680	<b>15,746</b>	8,686
Interest on bank deposits	<b>257</b>	105	<b>145</b>	67
Others	<b>25</b>	260	<b>2</b>	137
Total revenue	<b>26,750</b>	16,045	<b>15,893</b>	8,890





### 3. PROFITS FROM OPERATIONS

	Six-month period ended 30 June		Three-month period ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profits from operations are stated after charging:-				
Cost of sales	6,630	5,238	5,061	2,287
Depreciation	689	424	353	264
Minimum operating lease rentals				
– Land and buildings	1,521	703	833	413

### 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segments and (ii) on a secondary segment reporting basis, by geographical segments.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. The Group has the following business segments:

**(a) Payment enterprise solutions**

Provision of payment enterprise solutions and ongoing technical support services.

**(b) System integration, timber manufacturing and trading**

Provision of system integration and related technical support services, timber manufacturing and trading.

Other operating segment represents the operating segment which does not meet the quantitative threshold for determining reportable segment. It represents investment holding activities.

In determining the Group's geographical segments, revenues are attributable to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.



(a) **Business segments**

	Payment enterprise solutions		System integration, timber manufacturing and trading		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
Revenue from external customers	18,424	10,143	8,044	5,537	-	-	26,468	15,680
Other revenue	-	181	-	184	282	-	282	365
Total revenue	18,424	10,324	8,044	5,721	282	-	26,750	16,045
Segment results	9,375	1,057	19	161	282	-	9,676	1,218
Unallocated expenses							(2,695)	-
Profits before taxation							6,981	1,218
Taxation							-	-
Profits after taxation							6,981	1,218
Profits attributable to shareholders							6,981	1,218

(b) **Geographical segments**

	People's Republic of China (the "PRC")		Hong Kong		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	20,597	9,609	5,871	6,071	26,468	15,680



## 5. INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the period. The Company's subsidiaries operating in the PRC are subject to Mainland China enterprise income tax at a rate of 27% or 33%.
- (b) The tax expense represents the sum of the current tax and deferred tax and is made up as follows:

	<b>For the six-month period ended 30 June 2007 HK\$'000</b>	<b>For the six-month period ended 30 June 2006 HK\$'000</b>	<b>For the three-month period ended 30 June 2007 HK\$'000</b>	<b>For the three-month period ended 30 June 2006 HK\$'000</b>
Current tax:				
Overseas taxation	-	-	-	-
Deferred taxation:				
Current period	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 6. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six-month period ended 30 June 2007. (2006: Nil).

## 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the periods is based on the following data:-

	<b>Six-month period ended 30 June</b>		<b>Three-month period ended 30 June</b>	
	<b>2007 HK\$'000</b>	<b>2006 HK\$'000</b>	<b>2007 HK\$'000</b>	<b>2006 HK\$'000</b>
<i>Earnings</i>				
Earnings for the periods used in the calculation of basic and diluted earnings per share	<u>6,981</u>	<u>1,218</u>	<u>3,888</u>	<u>3,039</u>
<i>Number of shares</i>				
Weighted average number of shares in issue, for the purpose of calculation of basic earnings per share	<b>1,013,521,786</b>	721,790,018	<b>1,044,084,023</b>	737,638,418
Effect of dilutive potential ordinary shares: share options	<u>3,291,048</u>	-	<u>2,818,334</u>	-
Weighted average number of shares in issue for calculation of diluted earnings per share	<u><b>1,016,812,834</b></u>	<u>721,790,018</u>	<u><b>1,046,902,357</b></u>	<u>737,638,418</u>



## 8. FIXED ASSETS

	Leasehold improvement <i>HK\$'000</i>	Office equipment, computer and other equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:-					
At 1 January 2007	278	3,297	167	3,643	7,385
Additions	-	1,390	-	577	1,967
Disposals	-	-	-	-	-
At 30 June 2007	<u>278</u>	<u>4,687</u>	<u>167</u>	<u>4,220</u>	<u>9,352</u>
Accumulated depreciation:-					
At 1 January 2007	133	1,406	89	227	1,855
Charge for the period	22	299	16	352	689
Written back on disposal	-	-	-	-	-
At 30 June 2007	<u>155</u>	<u>1,705</u>	<u>105</u>	<u>579</u>	<u>2,544</u>
Net book value:-					
At 30 June 2007	<u>123</u>	<u>2,982</u>	<u>62</u>	<u>3,641</u>	<u>6,808</u>
At 31 December 2006	<u>145</u>	<u>1,891</u>	<u>78</u>	<u>3,416</u>	<u>5,530</u>

## 9. GOODWILL

	<b>At 30 June 2007 <i>HK\$'000</i></b>	At 31 December 2006 <i>HK\$'000</i>
Cost and closing net book value	<u><b>43,050</b></u>	<u>43,050</u>

Impairment tests for cash-generating units containing goodwill:-

At the balance sheet date, all goodwill is identified to the cash-generating units ("CGU") of platform payment services operated in the PRC.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated discount rates of 7.75% and growth rate of 20%.



**10. DEBTORS**

Average credit period of 30 to 60 days are granted to customers. The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. Credit evaluations of customers are performed periodically.

An aging analysis of trade debtors is set out below:-

	<b>At 30 June 2007 HK\$'000</b>	At 31 December 2006 HK\$'000
0 – 6 months	2,322	2,970
7 – 12 months	—	—
	<u>2,322</u>	<u>2,970</u>

**11. CAPITAL COMMITMENTS**

As at 30 June 2007, the Group had no capital commitments.

**BUSINESS REVIEW AND PROSPECTS****REVIEW**

In the past six months, the business of the Group expanded rapidly. The net income for the six months ended 30 June 2007 exceeds the figure of the whole year of 2006, and all sort of financial indicators reach high record accordingly.

Online payment business of the Group is growing gradually in line with the market development. The Group has obtained break-through development in term of new covered industrial segments, number of new merchants and transaction volume. During this period, the expected regulation of online payment business from the PRC government becomes explicit. Opportunities arise if we can grasp the market information and the psychology of our customers. Due to this changing market pattern, customers prefer to co-operate with the largest service providers in the market. The Group captures these market opportunities successfully and provides our customers the payment service and multivariate payment products that they really desire. In the mean time, our Group carries on internal reform gradually. First of all, in the aspect of our product variety, the Group introduces several associated products such as telephone payment etc, which enriched our product chain. Secondly, in the aspect of organizational efficiency and enterprise culture construction, the Group has commenced office automation software, and several measures were also carrying on. The Group has a satisfactory result in strengthening our working team's cohesive force. Moreover, the Group continues to strengthen its recruitment system in order to introduce more talents to our working team. These professions shall play an essence role in our future expansion of the Group's online payment business.



The result of the Group timber manufacturing and trading business is encouraging. As mentioned in our Business Review and Prospects of the first quarterly report, the Group will continue to allocate additional resources to the timber business and expects profitability in the second half of the year. Indeed, the development of the timber business has surpassed our anticipation. Through our vigorously promotion together with our strategic partners on our high quality timber imported from Indonesia, we have achieved profit-making during this period. In order to ensure the robust growth, several measures have been implemented by our management team, which include recruitment of new talents, expanding our storage facilities and promoting our own brand name.

The business in Hong Kong also sustained stable growth during this period especially in term of new business segments development. The Group has participated in several exhibitions in order to build-up our reputation and to extend the coverage of our oversea business gradually.

During this period, the Group further explores the feasibility of business diversification. Our management will fully excavate resources from our Group as well as from our strategic partners in order to explore other business opportunities with brighten prospects.

#### **PROSPECTS**

For the online payment service, our group continues to develop in term of business depth and breadth, as well as to widen our products variety. The Group will pay attention to the changes of the market environment, especially for the changes in the laws and regulation and the changes of our competitors, so that the Group can response promptly to carry on the most appropriate arrangement for the benefits of our Group and our shareholders.

For the timber manufacturing and trading business, our management will maintain its foundation and vigorous development in order to realize the sustainable profit.

For other business segments, the Group will allocate additional resources and efforts to ensure its further development and to enhance its overall proportion within the Group.

In view of our strengthened financial position and the need of business development, the board will look for potential acquisition opportunities related to our current business in order to achieve a break-through development of the Group.

The Board believes that our existing business strategy is suitable for our realistic situation. Through our practicable business plan, our Group will have a greater progress in the future periods.



## ***LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE***

### **Liquidity and financial resources**

As at 30 June 2007, the Group had net current assets of approximately HK\$85.06 million. Current assets comprised inventories of approximately HK\$6.26 million, debtors of approximately HK\$2.32 million, deposits, prepayments and other receivables of approximately HK\$39.01 million, unpledged time deposits of approximately HK\$0.28 million and cash and bank balances of approximately HK\$57.40 million. Current liabilities comprised deposits received, other creditors and accruals of approximately HK\$20.20 million.

The gearing ratio, calculated on the basis of total liabilities over total assets as at 30 June 2007, is approximately 28% (31 December 2006: 48%).

The Directors consider that the Group has sufficient cash to cope with its daily operations in the foreseeable future.

### **Treasury policies**

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

## ***SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS***

The Group made no significant investment nor any material acquisition or disposal during the period.

### **EMPLOYEES**

As at 30 June 2007, the total number of employees of the Group was 190 (31 December 2006: 112), representing a 69.64% increase as compared with that as at 31 December 2006. The dedication and contribution of the Group's staff during the six-month period ended 30 June 2007 are greatly appreciated and recognised.

Employees (including full-time directors) are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. In addition, the Group also provides social security benefits such as mandatory provident fund scheme and central pension scheme to its staff.



### ***CHARGES ON GROUP'S ASSETS***

The Group did not have any mortgage or charge as at 30 June 2007. As at 31 December 2006, time deposits of HK\$104,000 had been pledged to a bank to secure the bank guarantees granted to a subsidiary in its ordinary operation.

### ***DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS***

The Group had no detailed future plans for material investments or capital assets as at 30 June 2007.

### ***EXCHANGE RISK***

The Group's operation were mainly transacted in Hong Kong dollars, United States dollars and Renminbi and significant portions of the Group's net assets were denominated in Hong Kong dollars, United States dollars and Renminbi. Apart from a slight appreciation in Renminbi during the period, the exchange rate between the Hong Kong dollars (the reporting currency) and these currencies was stable. The exposure of the Group's risk from exchange rate fluctuation was minimal. The Board will, however, continue to monitor the exposure of exchange risk closely and will engage in appropriate hedging activities, if required.

### ***CONTINGENT LIABILITIES***

The Directors considered that the Group had no contingent liabilities as at 30 June 2007.

### ***ISSUE OF NEW SHARES***

On 5 June 2007, the Company has issued under the general mandate a total of 153,330,000 new shares to 17 subscribers at a price of HK\$0.198 per share. Proceeds of approximately HK\$30 million was being raised.

On 29 June 2007, the Company has issued under mandate a total of 46,000,000 new shares to 7 subscribers at a price of HK\$0.21 per share. Proceeds of approximately HK\$9.5 million was being raised.





## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2007, the interests or short positions of the directors and chief executives or their associates of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO") which (i) are 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 are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Interests in ordinary shares			Total interests in ordinary shares	Total interests in underlying shares (Note 1)	Aggregate interests	% of the Company's issued share capital
	Personal interests	Family interests	Corporate interests				
<b>Executive Directors:</b>							
Mr. Lau Sik Suen	-	-	-	-	-	-	-
Mr. Liu Rui Sheng (Note 1)	-	-	-	-	9,000,000	9,000,000	0.75%
Madam, Luan Yu Min (Note 1)	-	-	-	-	3,700,000	3,700,000	0.31%
<b>Non-executive Director:</b>							
Madam, Zhou Zhi Yun	-	-	-	-	-	-	-
<b>Independent Non-executive Directors:</b>							
Mr. Wan Xie Qiu	-	-	-	-	-	-	-
Mr. Meng Li Hui	-	-	-	-	-	-	-
Mr. Fong Heung Sang (Note 1)	-	-	-	-	900,000	900,000	0.07%

**Notes:**

- The interests of Mr. Liu Rui Sheng, Madam Luan Yu Min and Mr. Fong Heung Sang in underlying shares of the Company represent the interests in share options granted to them under the share option schemes of the Company.  
Details of the interests in the share options of the Company are separately disclosed in the section headed "Share options" above.
- There were no debt securities nor debentures issued by the Group at any time during the period ended 30 June 2007.



Save as disclosed above, as at 30 June 2007, none of the directors or chief executives or their associates of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

The directors confirmed that as at 30 June 2007 and for the period ended 30 June 2007,

- (i) the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings according to Rules 5.48 to 5.67 of the GEM Listing Rules; and
- (ii) all the directors complied with the required standard of dealings and the Company's code of conduct regarding directors' securities transactions.

***PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING***

So far as is known to any director or chief executive of the Company, as at 30 June 2007, persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

**(a) Long positions in the shares of the Company**

Name of Shareholders	Type of interests	Number of shares	Approximate percentage of interests
East Concord ( <i>Note 1</i> )	Beneficial owner	130,000,000	10.77%
Calico Development Limited ( <i>Note 2</i> )	Beneficial owner	106,000,000	8.78%
Anhui Investments Limited ( <i>Note 3</i> )	Beneficial owner	67,540,000	5.59%

*Notes:*

- (1) East Concord is wholly and beneficially owned by Mr. Zhang Wen Bing.
- (2) Calico Development Limited is equally and beneficially owned by Mr. Wen Jin Jian and Madam Liu Qi Lan.
- (3) Anhui Investments Limited is equally and beneficially owned by Mr. Zhou Jian Hui and Mr. Chen Jiu Ming.



(b) **Short positions in the shares and underlying shares of equity derivatives of the Company**

So far as the directors are aware, save as disclosed herein, no persons have short positions in the shares or underlying shares of equity derivatives of the Company.

**SHARE OPTIONS**

Pursuant to the written resolutions passed by all the shareholders of the Company on 12 October 2001, the Company adopted the following share option schemes:-

(A) **Share Option Scheme**

The purpose of the Share Option Scheme is to advance the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward all the directors (whether executive or non-executive and whether independent or not), the employees (whether full-time or part-time), any consultants or advisers of or to any company in the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid ("Eligible Persons")), and any other persons who, in the absolute opinion of the Board, have contributed to the Group and to provide to the Eligible Persons a performance incentive for continued and improved service with the Group and by enhancing such persons' contribution to increase profits by encouraging capital accumulation and share ownership. The directors may at their discretion, invite any Eligible Persons to take up options to subscribe for shares.

The maximum entitlement for any one participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

The period within which the shares must be taken up under the option must not be more than ten years from the date of grant of the option. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion may determine save that such price shall not be less than the higher of (i) the closing price per share on GEM as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average of the closing prices per share on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.



A summary of the movements of the share options granted under the Share Option Scheme during the period is as follows:

Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options				
					Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2007
Initial management shareholders and employees	7 February 2002	Fully vested on 7 February 2002	7 February 2002 to 6 February 2012	HK\$1.300	350,000	-	-	-	350,000
Senior management and staff of the Group	9 April 2002	Fully vested on 9 April 2002	9 April 2002 to 8 April 2012	HK\$1.400	70,000	-	-	-	70,000
Senior management and staff of the Group	23 December 2002	1 July 2003 to 1 January 2004 (inclusive)	Maximum 50%: 1 July 2003 to 22 December 2012 Remaining 50%: 1 January 2004 to 22 December 2012	HK\$0.108	60,000	-	60,000	-	-
Executive director	10 April 2003	10 October 2003 to 10 April 2004 (inclusive)	Maximum 50%: 10 October 2003 to 9 April 2013 Remaining 50%: 10 April 2004 to 9 April 2013	HK\$0.165	2,000,000	-	2,000,000	-	-
Senior management of the Group	10 April 2003	10 October 2003 to 10 April 2004 (inclusive)	Maximum 50%: 10 October 2003 to 9 April 2013 Remaining 50%: 10 April 2004 to 9 April 2013	HK\$0.165	6,000,000	-	6,000,000	-	-



Grantees	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options				
					Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2007
Senior management of the Group	29 December 2005	29 December 2005 to 29 June 2006 (inclusive)	Maximum 50%: 29 December 2005 to 28 December 2015 Remaining 50%: 29 June 2006 to 28 December 2015	HK\$0.176	29,800,000	-	18,910,000	5,360,000	5,530,000
Director, senior management and Staff of the Group	21 May 2007	Fully vested on 21 May 2007	21 May 2007 to 20 May 2009	HK\$0.228	-	99,720,000	130,000	-	99,590,000
					<u>38,280,000</u>	<u>99,720,000</u>	<u>27,100,000</u>	<u>5,360,000</u>	<u>105,540,000</u>

*Notes:*

- (1) The Company received a consideration of HK\$1.00 from each of the grantees of the share option schemes.

As at 30 June 2007, the number of shares in respect of which options had been granted and outstanding under the share option schemes was 105,540,000, representing approximately 8.74% of the issued share capital of the Company.

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

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

### **COMPETING INTERESTS**

During the period under review, none of the Directors, the substantial shareholders or the management shareholders (as defined in the GEM Listing Rules) of the Company had any interest in a business that competes or may compete with the business of the Group.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for the pre-emptive rights under the Company's Article 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.



## **CORPORATE GOVERNANCE CODE COMPLIANCE**

Save and except the following deviations from the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 15 to the GEM Listing Rules (the "CCGP"), the Company had, during the period ended 30 June 2007 complied with the CCGP.

Mr. Lau Sik Suen assumes the role of both the chairman and the chief executive officer of the Company. The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision A.2 in the CCGP of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- The non-executive directors form the majority of the Board, four out of seven members of the Board are non-executive directors, of which three are independent.
- Audit Committee composed exclusively of independent non-executive directors.
- The independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Lau, the executive chairman, has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

Save as disclosed, the Company has met the code provisions set out in the CCGP throughout the period ended 30 June 2007.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 12 October 2001 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control systems.

The audit committee currently comprises three independent Non-executive Directors, namely Mr. Meng Li Hui, Mr. Wan Xie Qiu and Mr. Fong Heung Sang. Mr. Meng Li Hui is the chairman of the audit committee.

The Group's unaudited condensed consolidated financial reports for the six-month period ended 30 June 2007 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standard and the requirements of GEM Listing Rules and adequate disclosures had been made.



## **BOARD PRACTICES AND PROCEDURES**

During the six-month period ended 30 June 2007, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

By order of the Board  
**Lau Sik Suen**  
*Chairman*

Hong Kong, 8 August 2007

As at the date of this report, the Directors are as follows:

*Executive Directors:*

Mr. Lau Sik Suen (*Chairman*)

Mr. Liu Rui Sheng

Madam Luan Yumin

*Independent Non-executive Directors:*

Mr. Meng Li Hui

Mr. Wan Xie Qiu

Mr. Fong Heung Sang

*Non-executive Director:*

Madam Zhou Zhiyun

