* For identification purpose only

# 2006
# Interim Report

( Stock Code: 0472 )

新華聯國際控股有限公司

**MACRO-LINK International Holdings Limited**

( Incorporated in Bermuda with limited liability )

The Board of Directors (the "Directors") of MACRO-LINK International Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006, along with comparative figures. Such results have been reviewed by the Company's audit committee ("Audit Committee"):

# CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2006** | 2005 |
| | | **(Unaudited)** | (Unaudited and restated) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Turnover | 3 | **37,637** | 44,211 |
| Cost of sales | | **(25,006)** | (37,341) |
| Gross profit | | **12,631** | 6,870 |
| Other revenue | | **1,271** | – |
| Other income | | **226** | 1,258 |
| Selling and distribution costs | | **(3,253)** | (2,400) |
| Administrative expenses | | **(6,514)** | (10,009) |
| Profit/(loss) from operations | | **4,361** | (4,281) |
| Finance costs | | **(479)** | (1) |
| Gain on disposal of subsidiaries | 4 | **3,686** | – |
| Profit/(loss) before taxation and minority interests | | **7,568** | (4,282) |
| Taxation | | **–** | (300) |
| Profit/(loss) for the period | | **7,568** | (4,582) |

| | Notes | Six months ended 30 June 2006 (Unaudited) HK$'000 | 2005 (Unaudited and restated) HK$'000 |
|---|---|---|---|
| Attributable to: | | | |
| **Equity holders of the Company** | | **5,280** | (5,066) |
| **Minority interests** | | **2,288** | (484) |
| | | **7,568** | (4,582) |
| **Profit/(Loss) per share attributable to the equity holders of the Company during the period (expressed in HK$)** | | | |
| Basic | 6 | **0.46 cents** | (0.44 cents) |
| Diluted | | **N/A** | N/A |

The accompanying notes form an integral part of these interim financial statements.

# CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | As at 30 June 2006 (Unaudited) *HK$'000* | As at 31 December 2005 (Audited) *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **4,644** | 4,709 |
| Property, plant and equipment | | **70,448** | 79,687 |
| Intangible assets | | **4,266** | 4,337 |
| Goodwill | | **11,764** | 11,764 |
| | | **91,122** | 100,497 |
| **Current assets** | | | |
| Inventories | | **37,548** | 43,131 |
| Trade receivables | 7 | **5,339** | 9,752 |
| Prepayments, deposits and other receivables | | **6,411** | 4,799 |
| Amounts due from related parties | 11 | **11,174** | 23,950 |
| Taxation recoverable | | **–** | 50 |
| Pledged time deposits | 10 | **–** | 3,354 |
| Bank balances and cash | | **28,924** | 29,547 |
| | | **89,396** | 114,583 |
| **Total assets** | | **180,518** | 215,080 |

The accompanying notes form an integral part of these interim financial statements.

# CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | As at 30 June 2006 (Unaudited) HK$'000 | As at 31 December 2005 (Audited) HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserve attributable the Company's Equity shareholders** | | | |
| Share Capital | 9 | **11,493** | 11,493 |
| Reserves | | **70,496** | 65,142 |
| | | **81,989** | 76,635 |
| Minority interests | | **39,516** | 38,975 |
| | | **121,505** | 115,610 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Obligations under finance leases – due after one year | | – | 610 |
| Deferred tax liabilities | | **2,600** | 2,600 |
| | | **2,600** | 3,210 |
| **Current liabilities** | | | |
| Trade payables | 8 | **14,146** | 23,070 |
| Accruals, deposit received and other payables | | **8,626** | 13,987 |
| Amount due to an immediate holding company | | – | 440 |
| Amounts due to related parties | | **9,603** | 17,649 |
| Obligations under finance leases – due within one year | | – | 628 |
| Bank borrowings and overdraft – secured due within one year | | **24,038** | 40,486 |
| | | **56,413** | 96,260 |
| **Total liabilities** | | **59,013** | 99,470 |
| **Total equity and liabilities** | | **180,518** | 215,080 |
| **Net current assets** | | **32,983** | 18,323 |
| **Total assets less current liabilities** | | **124,105** | 118,820 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Attributable to the Company's equity holders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | Share Premium | Special Reserve | Translation Reserve | Statutory Reserve | Goodwill Reserve | Accumulated Deficit | Minority Interest | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK'000* | *HK$'000* | *HK$'000* | *HK'000* |
| At 1 January 2005 | 11,493 | 34,621 | 604,497 | – | – | (2,177) | (571,930) | 1,167 | 77,671 |
| Disposal of Subsidiaries | – | – | 3,730 | – | – | – | – | – | 3,730 |
| Net loss for the period | – | – | – | – | – | – | (5,066) | 484 | (4,582) |
| At 30 June 2005 | 11,493 | 34,621 | 608,227 | – | – | (2,177) | (576,996) | 1,651 | 76,819 |
| At 1 January 2006 | 11,493 | 34,621 | 604,497 | (216) | 14 | – | (573,774) | 38,975 | 115,610 |
| Dividend of subsidiaries | – | – | – | – | – | – | – | (2,885) | (2,885) |
| Disposal of subsidiaries | – | – | – | – | – | – | – | 1,138 | 1,138 |
| Exchange differences on consolidation | – | – | – | 74 | – | – | – | – | 74 |
| Profit for the period | – | – | – | – | – | – | 5,280 | 2,288 | 7,568 |
| At 30 June 2006 | 11,493 | 34,621 | 604,497 | (142) | 14 | – | (568,494) | 39,516 | 121,505 |

The accompanying notes form an integral part of these interim financial statements.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | For the six months ended 30 June | |
|---|---|---|
| | **2006** | 2005 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Net cash (used in)/generated from operating activities | **(4,359)** | 64,821 |
| Net cash used in investing activities | **(7,283)** | (135,773) |
| Net cash generated from financing activities | **11,019** | 7,875 |
| Net increase in cash and cash equivalents | **(623)** | (63,077) |
| Cash and cash equivalents at beginning of period | **29,547** | 76,376 |
| Cash and cash equivalents at end of period | **28,924** | 13,299 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and bank balances | **28,924** | 13,299 |

The accompanying notes form an integral part of these interim financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2006 (in HK Dollars)*

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the "new HKFRSs") that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

3. SEGMENT INFORMATION

(a) Primary reporting format – business segments

For the six months ended 30 June 2006, the Group mainly engaged in the production and distribution of wine.

Business segments information for the six months ended 30 June 2006 is presented below:

| | Continuing operation | | | |
|---|---|---|---|---|
| | Production and distribution of wine (Unaudited) *HK$'000* | Manufacture and distribution of electronic products (Unaudited) *HK$'000* | Manufacture of health care products (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
| Turnover | 37,637 | – | – | 37,637 |
| Results | | | | |
| Segment results | 7,884 | – | – | 7,884 |
| Unallocated corporate income | | | | 92 |
| Unallocated corporate expense | | | | (3,615) |
| Profit from operations | | | | 4,361 |
| Finance costs | | | | (479) |
| Gain on disposal of subsidiaries | | | | 3,686 |
| Profit before taxation | | | | 7,568 |
| Taxation | | | | – |
| Profit for the period | | | | 7,568 |

Business segments information for the six months ended 30 June 2005 is presented below:

| | Continuing operation<br>Production and distribution of wine<br>(Unaudited and restated)<br>*HK$'000* | Manufacture and distribution of electronic products<br>(Unaudited and restated)<br>*HK$'000* | Manufacture of health care products<br>(Unaudited and restated)<br>*HK$'000* | Total<br>(Unaudited and restated)<br>*HK$'000* |
|---|---|---|---|---|
| Turnover | 8,607 | 35,315 | 289 | 44,211 |
| Results | | | | |
| Segment results | 1,741 | (2,661) | (964) | (1,884) |
| Unallocated corporate income | | | | 1,188 |
| Unallocated corporate expense | | | | (3,585) |
| Loss from operations | | | | (4,281) |
| Finance costs | | | | (1) |
| Loss before taxation | | | | (4,282) |
| Taxation | | | | (300) |
| Loss for the period | | | | (4,582) |

(b) Geographical segments

The Group's operations for the current periods are located in Hong Kong and the People's Republic of China.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods or services:

| | **Turnover For the six months ended 30 June** | |
|---|---|---|
| | **2006** | 2005 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited and restated) |
| Hong Kong | – | 28,077 |
| United States of America | – | 179 |
| PRC | **37,637** | 13,380 |
| Europe | – | 18 |
| Other Asian Countries | – | 2,557 |
| | **37,637** | 44,211 |

No geographical segment analysis on assets and liabilities has been disclosed as of 30 June 2006 and 2005 as over 90% of Group's assets and liabilities were located in the PRC.

4. DISPOSAL OF SUBSIDIARIES

On 8 August 2006, the Company and Mr. Chan Kok Kun ("Mr. Chan") entered into a disposal agreement ("Panorama Disposal") under which the Company has agreed to sell and Mr. Chan has agreed to purchase the entire issued share capital (being 1 share) of Panorama Limited for a cash consideration of US$1.00 which equal to the aggregate par value of the Sale Share.

Panorama Limited is an investment holding company which has beneficially interested in 51% of the issued share capital of Sharp Win (Holdings) Limited which in turn holds 80% equity interest in Sharp Win Industrial Limited ("Panorama Group"). The business of Panorama Group is manufacturing, wholesale and distribution of electronic products and is running at a loss situation since financial year ended 31 December 2004 due to increase in cost of production as a result of increasing oil price and fierce competition in the electronic industry.

The Panorama Disposal constitutes a major transaction pursuant to Rule 14.06 of the Listing Rules and is subject to notification, publication and shareholder's approval at a Special General Meeting ("SGM"). As Mr. Chan is an independent third party, no Shareholder should be required to abstain from voting if the Company were to convene a general meeting. MACRO-LINK International Investment Co Ltd being the controlling Shareholder of the Company, holding approximately 74.99% of the total issued share capital of the Company as at the date of Panorama Disposal, has given its written consent to the Company for the Disposal. Pursuant to Rule 14.44 of the Listing Rules, the written approval provided by MACRO-LINK International Investment Co Ltd constitute a valid approval of the Disposal and the Company will not be required to convene a physical meeting to approve the Disposal.

For further details, reference is made to the announcement dated 11 August 2006 and the circular dated 13 September 2006 issued by the Company with respect to the Panorama Disposal.

On the same day, the Company has entered into the following Sale and Purchase Agreements:

1. disposal of the entire issued share capital of Sheen Champion Limited ("SC") to Mr. Ko Wai Kong ("Mr. Ko")

2. disposal of the entire issued share capital of Workplace Logistics Limited ("WL") to Mr. Zhou Ganyi ("Mr. Zhou")

Pursuant to which the Company agreed to sale the shares to the corresponding parties for a consideration of US$1 to be satisfied by cash as at completion on or before 31 October 2006.

The sale prices aforesaid were arrived at on an arm's length basis having considered the market values of the shares of the respective companies, the operating losses and the agreements with the contracted parties to take up the liabilities of the business with effect from 1 January 2006.

The principal businesses of the Company before all the above disposals includes the manufacturing, wholesale and/or distribution of winery products, electronic products and healthcare products. After the above disposals, the Company has disposed all of its electronic and healthcare businesses.

5. TAXATION

(a) Hong Kong income tax

Hong Kong profits tax is calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. No provision for Hong Kong profits tax was made for the period ended 30 June 2006 (2005: Nil) as the Company and its subsidiaries had no assessable profit during the period.

No provision for deferred tax has been made in respect of accelerated capital allowances as the Directors consider that a liability is not expected to crystallize in the foreseeable future (2005: Nil).

(b) PRC Enterprise Income Tax ("EIT")

EIT is provided on the estimated assessable income of the period calculated in accordance with the relevant regulations of the PRC after considering all the available tax benefits from incentive, refunds and allowances.

In accordance with an approval document from state tax department, tax exemption for 雲南香格里拉酒業股份有限公司 ("Yunnan Shangeli-La Winery Co. Ltd.") had been extended to 31 December 2007. According to a State Tax Department document dated 3 August 2005, 迪慶香格里拉經濟開發區天籟酒業有限公司 ("Diqing Shangeli-La Limited") is exempted from EIT from 1 January 2005 to 31 December 2009.

香格里拉(秦皇島)葡萄酒有限公司 ("Shangeli-la (Qinhuangdao) Winery Ltd."), being a foreign equity join venture, can enjoy tax exemption from EIT for two years starting from the first year of profit-making after offsetting prior year tax losses, followed by a reduction rate of 15% reduction for the next three consecutive years thereafter. 廣州藏吉商貿有限公司 ("Guangzhou Zangji Trading Co. Ltd") is subjected to EIT at a standard rate of 33% based on their respective assessable income for the relevant Period.

(c) Value-added tax ("VAT")

According to the "People's Republic of China Value-added Tax Temporary Regulations" ("VAT Regulations"), the Group is subject to output VAT which is calculated at 17% of the domestic sales value of tangible goods. The Group also pays input VAT on its purchases of raw materials and auxiliary materials which is deducted against output VAT in arriving at the net VAT amount payable to the PRC Government.

(d) Consumption tax

According to the Ministry of Finance of the PRC and the SAT issued the "Notice for changes in consumption tax for alcoholic products" red wine product is subject to a consumption tax of 10% where as naked barley wine is subjected to a consumption tax of RMB240 per ton.

6. PROFIT PER SHARE

The calculation of the basic profit per share is based on the profit attributable to shareholders of HK$5,280,000 (six months ended 30 June 2005: loss of HK$5,066,000) and on 1,149,263,455 (Period from 1 January 2005 to 30 June 2005: 1,149,263,455) shares in issue during the period.

There were no potential shares in existence for the six months ended 30 June 2006 and 2005, and, accordingly, no diluted profit per share has been presented.

7. TRADE RECEIVABLES

The Group generally allows an average credit period ranging from 30 to 90 days (31 December 2005: 30 to 90 days) to its trade customers which major customers with whom specific terms have agreed.

| | **As at 30 June 2006** ***HK$'000*** **(Unaudited)** | As at 31 December 2005 *HK$'000* (Audited) |
|---|---|---|
| Within 90 days | **5,374** | 9,482 |
| 90 days to 180 days | **–** | 2,019 |
| More than 180 days and within 360 days | **–** | 10,457 |
| | **5,374** | 21,958 |
| *Less*: provision of doubtful debts | **35** | (12,206) |
| | **5,339** | 9,752 |

8. TRADE PAYABLES

| | **As at 30 June 2006 HK$'000 (Unaudited)** | As at 31 December 2005 HK$'000 (Audited) |
|---|---|---|
| Within 90 days | **11,561** | 15,366 |
| 90 days to 180 days | **2,521** | 3,512 |
| More than 180 days and within 360 days | **64** | 4,192 |
| | **14,146** | 23,070 |

The carrying amounts of trade payables approximate their fair values.

9. SHARE CAPITAL

| | **Number of Ordinary shares** | **Amount** *HK$'000* |
|---|---|---|
| Shares of HK$0.01 each | | |
| Authorised: | | |
| At 31 December 2005 and 30 June 2006 | 16,000,000,000 | 16,000 |
| Issued and fully paid: | | |
| At 31 December 2005 and 30 June 2006 | 1,149,263,455 | 11,493 |

## 10. PLEDGE OF ASSETS

At balance sheet date, the Group pledged the following assets to secure the banking facilities granted to the Group:

| | **As at 30 June 2006** *HK$'000* | As at 31 December 2005 *HK$'000* |
|---|---|---|
| Time deposits | **–** | 3,354 |
| Property, plant and equipment | **23,484** | 31,260 |

## 11. RELATE PARTY TRANSACTIONS

(a) During the year, the Group has entered into the following significant related party transactions which in the opinion of the Directors were conducted under commercial terms and in the normal course of the Group's business.

| | **1.1.2006 to 30.06.2006** *HK$'000* | 1.1.2005 to 30.06.2005 *HK$'000* |
|---|---|---|
| – 雲南香格里拉金六福酒業銷售有限公司 | | |
| – Received | **26,463** | – |
| – Receivable | **11,174** | – |

(i) The above transactions were carried out at cost plus mark-up basis.

(ii) 雲南香格里拉金六福酒業銷售有限公司 is related party of the Group as Mr. Wu Xiang Dong, being an executive director of the Company is a common director.

(b) On 12 April 2006, the Group acquired 6.1% of equity interest in Diqing Shangelila Economic Development Zone Tinlai Winery Co., Ltd through Yunnan Shangeli-La Winery Co., Ltd, one of the subsidiary which we hold 70% interest, from 北京金六福酒有限公司, a related company with a common director, at a consideration of RMB500,000.

(c) Key management personnel

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employee:

| | The Group | |
|---|---|---|
| | **1.1.2006 to 30.06.2006 HK$'000** | 1.1.2005 to 30.06.2005 HK$'000 |
| Salaries and other short term benefit | **1,800** | 3,700 |

12. SUBSEQUENT EVENTS

On 4 July 2006, Yunnan Shangeli-La Winery Co. Ltd. has entered in to another agreement with 中國農業發展銀行迪慶藏族自治州分行 (Diqing Agriculture Development Bank) to further extended the general banking facilities granted for an additional amount of HK$22.5M repayable within one year at an interest rate of 5.85% per annum to finance the cost of production.

## INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the period ended 30 June 2006 (No interim dividend was recommended or paid for the period ended 30 June 2005).

## REVIEW OF OPERATION AND PROSPECTS

For the first six months under review, China's rapid growing economy has continued to drive the growth of the wine market. As the purchasing power of people in China increase and more people are becoming health concern, wine consumption, especially red wine, becoming increasingly popular in social activities. This trend has gradually spread from first and second-tier cities to lower tier cities fueling the growth in wine consumption national wide. According to statistics, wine consumption increased drastically in cities and towns around China at an annual rate of increase between 15 and 20 percent per annum.

## OPERATING REVIEW

During the six months under review, the Group had realign its operations and restructured itself to focus in China's wine industry by disposing all of its electronic and healthcare operations. Reference is made to note 4 for details of the disposals. This major restructuring exercise is expected to be completed on or before 31 October 2006.

The restructuring will considerably improve the overall operational effectiveness and profitability of the Group as it no longer needed to carry liabilities and operating losses from those disposed businesses. After elimination of the non-profitable businesses, the Group had reduced outstanding borrowings to approximately HK$24 million, a total reduction of HK$17.6 million. Since all the disposed units are in a loss situation, the Disposals has resulted in an increase in the overall profitability of the Group. The Board believe that the Disposals are fair and reasonable and in the best interests of the Group and the Shareholders as a whole. Afterall, it is in line with the Group's strategy to invest and focus in the winery business which is expected to enjoy a high rate of growth in the coming years due to the rising trend in winery consumption in China.

The result of the disposals has been favorably reflected in the Group's consolidated financial for the six months period. Despite the fact that raw material costs, mainly grape juice, are on the increasing trend, the Group has returned favorable profits, partly as a result of the disposals and partly due to the increase in operational efficiency and market share. The Group's turnover for the period ended 30 June 2006 was approximately HK$37.64 million, which represented an decrease of 14.87% as compared to the period ended 30 June 2005. The decrease is mainly due to the disposal of the Group's electronic and healthcare operation. Despite the decrease in turnover, the group's gross profits and net profits for the period were approximately HK$12.63 million and HK$7.57 million respectively significantly improved from the loss situation for the same period ended 2005.

The Group had exercised prudent measures on cost control by decreased its operating expenditures. Administrative expenses for the period ended 30 June 2006 were approximately HK$6.5 million, which represented a decrease of 35% as compared to the period ended 30 June 2005 of HK$10 million. Total number of staffs have been substantially reduced to 270 after the restructuring. The Group believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its cost effectiveness.

Riding on the direct sales and marketing channel established in Fujian, Yunnan and Zhejiang, the Group continues to enjoyed steady and secure growth in sales turnover. With effecting marketing strategy and sound brand management, the Group will put more resources in expanding its existing direct distribution channels and explore new direct sale locations to improve future profit margins.

## PROSPECT

Taking off the burden of the loss making operations, the Group made milestone progression in the first half of the year and is very positive on the outlook for the remainder of the year. With the vision to become one of the well-known wine brand in China, the Group stretchs its market presence by significant brand building activities and continues its business strategy to develop extensive sales and distribution channels. The effort has been rewarded with well reception of the recently launch "Old Tree" red wine series and the low alcohol content raked barley wines ("青稞酒"). The later is a unique product from Yunan Shangeli-La's R&D and has been very popular amongst the Jiansu Zhejiang and Fujian regions. Even more encouraging is that the Shangeli-La brand has been recently named one of the top 500 best Asia Brand by Asian Economics in September 2006.

In 2005 annual report, the Group has already alerted the rising grape cost and has taken steps in sourcing quality alternative grape juice overseas to mitigate it effect on profit margin. Furthermore, the Group has also developed its own grape plantation for better cost and quality control of the raw material. As a result, while other competitors have to increase their market price to cope with the rising production cost, we are able to maintain our offering yet improve our profit margins. At the same time, the Group is also in the process of expanding its production base in Qinhuadao in order to increase its production capacity to meet with future demand. In the coming months, the Group will utilize this competitive advantage to further expand the market share.

Though internal generated fund is sufficient to deal with the challenge ahead, the Group is also looking at alternative finance sources or operation models that allow the Group to leverage with international partners in order to speed up the development cycle and to improve operational efficiency. One of the challenge ahead will be the competition from overseas brands when the local market continue to open up. Yet wine market in China is still at its early stage, the Group has full confidence to stay ahead of competition. Afterall, the Group believe that the performance will continue to improve as sales trend tends grow faster as it towards the end of the year.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2006, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(A) LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

| Name of Director *(Note)* | Number of issued ordinary shares held by controlled corporations | Percentage of the issued share capital of the Company |
|---|---|---|
| Mr Fu Kwan | 861,880,281 | 74.99 |

*Note:* These 861,880,281 Shares are registered in the name of MACRO-LINK International Investment Co., Ltd., the entire issued share capital of which is wholly-owned by MACRO-LINK Sdn. Bhd.. Mr Fu Kwan, the Director of the Company owns 40% of the issued share capital of MACRO-LINK Sdn. Bhd. Under the SFO, Mr Fu Kwan is deemed to be interested in the 861,880,281 Shares held by MACRO-LINK International Investment Co., Ltd..

(B) INTERESTS IN THE SHARES IN ASSOCIATED CORPORATION

| Name of associated corporation | Name of Director | Number of ordinary share Personal Interest | Percentage of the issued share |
|---|---|---|---|
| MACRO-LINK Sdh. Bhd. | Mr Fu Kwan *(Note)* | 400,000 | 40 |
| MACRO-LINK Sdh. Bhd. | Mr Wu Xiang Dong | 150,000 | 15 |
| MACRO-LINK Sdh. Bhd. | Mr Chung Shan Kwang | 60,000 | 6 |

Save as disclosed herein and other than certain nominee shares in the subsidiaries held in trust for the Group, none of the Directors, chief executives or their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2005.

## SHARE OPTION SCHEME

On 16 September 2002, the Company adopted a share option scheme (the "2002 Scheme") for the primary purpose of providing incentives to its directors and eligible employees. The 2002 Scheme will expire on 15 September 2012. Under the 2002 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue as at the date of adoption of the 2002 Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 1% of the number of shares issued and issuable under the 2002 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will be not less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

No option has been granted under the 2002 Scheme since its adoption.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, at no time during the period was the Company or any of its holding companies or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under the heading "Directors' interests in shares" above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30 June 2006.

## LIQUIDITY AND FINANCIAL INFORMATION

As at 30 June 2006, the Group's total borrowings amounted to approximately HK$24.04 million and cash, bank balances and deposits amounted to approximately HK$28.92 million. The Group's current ratio was 1.48 and gearing ratio which is expressed as a ratio of total bank liabilities to total assets was 13.32. Bank balances and cash and deposits were in Hong Kong dollars.

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group had no significant exposure to foreign exchange fluctuation.

## ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Except the events that are mentioned in "Disposal of Subsidiaries" in note 4, during the accounting period, there was no material acquisition or disposal of the Company's subsidiaries and associates.

## EMPLOYEE INFORMATION

Total number of staffs was 896 as at 30 June 2005. Through reorganisation and with disposal of two of our major operation in the electronic industry and healthcare business in order to consolidate the day-to-day management, the current head count is 270. The Directors believe that the quality of its employees is the most important factor in sustaining the Group's growth and improving its cost effectiveness. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

The Company adopted a share option scheme (the "scheme") on 16 September 2002 for the primary purpose of providing incentives to the Directors and eligible employees. No option has been granted under the Scheme since its adoption.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2006.

## CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006, with deviation from the code provision A.4.2 in respect of the rotation of directors.

Under the code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to Bye-law 87(1) of the Bye-laws of the Company, one-third of the Directors for the time being shall retire from the office by rotation at each annual general meeting provided that the Chairman of the Board and/or the Managing Director of the Company shall not be subject to retirement by rotation.

In the opinion of the Board, the continuity of leadship by the Chairman and Managing Director is important for the stability and growth of the Company. The Broad therefore considers that both the Chairman and Managing Director of the Company should not be subject to retirement by rotation.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2006.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial report for the six months ended 30 June 2006. The Audit Committee comprises the three Independent Non-executive Directors, namely Mr Ting Leung Huel, Stephen, Mr Cao Kuangyu and Mr E Meng.

## REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the CG Code. The Remuneration Committee comprises two Executive Directors, namely Mr Fu Kwan and Mr Shu Shi Ping, and three Independent Non-executive Directors, namely Mr Ting Leung Huel, Stephen, Mr Cao Kuangyu and Mr E Meng.

## APPRECIATION

The Directors would like to express their sincere appreciation to the continuation support of our shareholders and for all the dedicated efforts of the management and staff of the Group during the period.

By order of the Board
**Fu Kwan**
*Chairman*

Hong Kong, 25 September 2006