

Massive Resources International Corporation Limited

(Incorporated in Hong Kong with limited liability)



Interim Report 2006/07

Stock code : 070



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Lin Cheuk Fung (*Chairman*)
Mr. Lau Kwok Hung
Mr. Chan Shiu Kwong, Stephen
Mr. Lau Kwok Keung

Independent non-executive directors

Mr. Chow Pui Fung
Mr. Yue Fu Wing
Mr. Wong Yuk Man

COMPANY SECRETARY

Mr. Lau Kwok Hung

AUDIT COMMITTEE

Mr. Chow Pui Fung
Mr. Yue Fu Wing
Mr. Wong Yuk Man

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Room 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Units 1205-6, 12/F.
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STOCK CODE

00070



MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

The principal activity of the Company continues to be investment holding. The principal activities of the Company's subsidiaries include: the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the cruise business, the trading of listed securities and investments in the People's Republic of China.

BUSINESS AND INVESTMENT REVIEW

For the six months ended 31 December 2006 the Group recorded a net profit attributable to equity holders of the Company of approximately HK\$7 million (2005: profit of HK\$0.5 million).

Manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services

The manufacture and trading of electrical equipment and the provision of electrical engineering and contracting services continued to be profitable. Turnover increased when compared with the corresponding period of last year and profits had increased to HK\$2.9 million when compared with the corresponding period in 2005 (HK\$1.8 million).

Cruise business

During the period under review, cruise business has contributed a principal income to the Group. Turnover for the leasing of the cruise ship was recorded approximately HK\$18 million (2005: HK\$9 million), which accounted for approximately 21.6% of the Group's total turnover (2005: 16.6%). Segment result amounted to approximately HK\$10 million (2005: HK\$5.4 million). It recorded a steady turnover and profit contribution to the Group.

Trading of investments in listed securities

The Group did not engage in the trading of investments in listed securities during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

INTERIM DIVIDEND

The Board of Directors had resolved not to declare any interim dividend for the six months ended 31 December 2006 (2005: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of approximately HK\$88 million as at 31 December 2006 (at 30 June 2006: HK\$30 million). There were no bank and other borrowings as at 31 December 2006 (at 30 June 2006: HK\$2.1 million). The net asset value of the Group as at period end was HK\$290 million (at 30 June 2006: HK\$241 million). The gearing ratio, calculated on the basis of total liabilities over equity attributable to equity holders as at 31 December 2006, was approximately 26% (at 30 June 2006: 47%).

CAPITAL STRUCTURE

As at 31 December 2006, the Company had 14,397,630,000 shares in issue with total shareholders' funds of the Group amounting to HK\$287,953,000.

EMPLOYEES

The Group has approximately 78 employees in Hong Kong. Total staff costs for the interim period under review amounted to approximately HK\$7.3 million. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SHARE OPTIONS

The Company has share option schemes under which the Company may grant options to eligible persons to subscribe for shares in the Company.

Subsequent to 31 December 2006, the Company had granted 88,420,000 options to the employees of the Company under the Company's Share Option Scheme at an exercise price of HK\$0.0728.

CONVERTIBLE NOTES

On 1 December 2006, the convertible notes were fully converted into 2,000,000,000 shares of the Company at the conversion price of HK\$0.02 per share. As a result, the issued shares of the Company had been increased from 12,397,630,000 shares to 14,397,630,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2006, no leasehold land and buildings of the Group were pledged to any bank for banking facilities (at 30 June 2006: HK\$5.4 million). As at 31 December 2006, a subsidiary's bank deposits of HK\$0.1 million (at 30 June 2006: HK\$4 million) has been pledged for a letter of guarantee.

PROSPECTS

Looking ahead, the economy of Hong Kong will continue to improve. However, at the same time the Group is also facing the very keen competition in the construction industry. Consequently, we are cautious about the outlook for near-term sales growth in the manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services.

In view of the recent economy of Macau and the prospects of Macau's gaming business, the Directors intend to focus its resources and efforts on the gaming and entertainment business which will broaden the Group's revenue sources and provide a stable income stream to the Group.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

DIRECTORS' INTERESTS IN SECURITIES

(i) *Shares*

As at 31 December 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in ordinary shares of the Company

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
Mr. Lin Cheuk Fung	Personal	1,500,000,000	10.42%

Note: Save as disclosed above and other than certain nominee shares in the subsidiaries held by directors in trust for the Company, none of the Company's directors 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 defined in the SFO.

(ii) *Share Options*

The Company has a share option scheme ("Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions.

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 31 December 2006.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(continued)***SUBSTANTIAL SHAREHOLDERS**

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2006 amounting to 5% or more of the ordinary shares in issue:

Name of shareholders	Number of ordinary shares held	Approximate shareholding percentage
Mr. Chim Pui Chung <i>(Note)</i>	1,835,960,000	12.75%
Mr. Lin Cheuk Fung	1,500,000,000	10.42%
Mr. Chan Yan To	1,000,000,000	6.95%
Ms. Lam Wai Han	1,000,000,000	6.95%

Note: These shares were held as to 1,264,220,000 shares by Gallery Land Ltd (a company wholly owned by Mr. Chim Pui Chung), as to 568,800,000 shares by Golden Mount Ltd (a company wholly owned by Mr. Chim Pui Chung) and as to 2,940,000 shares held by Mr. Chim Pui Chung.

Save as disclosed above, the Company has not been notified of any other parties having an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of the SFO as at 31 December 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

During the six months ended 31 December 2006, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 31 December 2006, the Company has, as far as possible, complied with the provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.4.1

Non-executive Directors should be appointed for specific terms and subject to re-elections

All Independent Non-executive Directors of the Company are not appointed for specific terms, but subject to retirement by rotations and re-elections at the annual general meeting of the Company in accordance with Bye-Laws of the Company.



ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES *(continued)*

Code Provision B.1.1

Establishment of a remuneration committee

The Board is in the opinion that establishment of a remuneration committee as required by code provision B.1.1 is not, for the time being, justified after careful consideration of the size of the Group and the associated costs involved.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman of the board and the chief executive officer are segregated and are held by Mr. Lin Cheuk Fung and Mr. Wan Yau Shing, Ban. These positions have clearly defined separate responsibilities.

The chairman is responsible for leading and supervising the operations of the board of directors, effective planning of board meetings, ensuring the board of directors is acting to the best interests of the Company.

The chief executive officer is responsible for the administration of the company business, as well as to formulate and implement company policies, and answerable to the board of directors in relation to the company overall operation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for securities transaction as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. Following specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's unaudited interim report for the six months ended 31 December 2006.

INTERIM RESULTS

The Board of Directors (the "Board") of Massive Resources International Corporation Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 31 December 2006, together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006

		Six months ended	
		31 December	
		2006	2005
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	3	83,418	54,228
Cost of sales		(66,139)	(43,492)
Gross profit		17,279	10,736
Other revenue		1,405	1,416
Distribution costs		(345)	(369)
Administrative expenses		(6,375)	(9,993)
Fair value changes on financial assets at fair value through profit or loss		(170)	606
Profit from operations	4	11,794	2,396
Finance costs		(1,555)	(783)
Profit before taxation		10,239	1,613
Taxation	5	(574)	(348)
Profit for the period		9,665	1,265
Attributable to:			
Equity holders of the Company		6,929	460
Minority interests		2,736	805
		9,665	1,265
Earnings per ordinary share			
– Basic and diluted	7	0.054 cent	0.004 cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2006

		31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	8	171,866	179,872
Investment properties		28,400	28,400
Prepaid land premiums	9	2,611	2,643
Goodwill		45	45
		202,922	210,960
Current assets			
Inventories		19,464	16,355
Trade and other receivables	10	35,529	34,685
Amount due from a related company		710	710
Financial assets at fair value through profit or loss		397	567
Pledged bank deposits	11	68	4,451
Cash at securities company		55,279	54,419
Cash and bank balances		24,135	32,374
Loan receivables		28,000	–
		163,582	143,561
Total assets		366,504	354,521
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	287,953	247,953
Reserves		(11,129)	(18,079)
		276,824	229,874
Minority interests		13,578	10,842
Total equity		290,402	240,716

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 31 December 2006

		31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		231	331
Current liabilities			
Bank and other borrowings		–	2,092
Trade and other payables	13	43,641	39,065
Convertible notes	14	–	39,765
Amount due to a minority shareholder		29,100	29,100
Taxation		3,130	3,452
		75,871	113,474
Total liabilities		76,102	113,805
Total equity and liabilities		366,504	354,521
Net current assets		87,711	30,087
Total assets less current liabilities		290,633	241,047
Net assets		290,402	240,716

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2006 (Unaudited)

	Equity attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes HK\$'000	Non-distributable reserve HK\$'000	Accumulated losses HK\$'000	Sub total HK\$'000	Minority interest HK\$'000	
At 1 July 2006 (Audited)	247,953	61,454	277	2,264	(82,074)	229,874	10,842	240,716
Extension of								
– Convertible notes	-	-	283	-	-	283	-	283
Issue of ordinary shares from conversion of convertible notes	40,000	298	(560)	-	-	39,738	-	39,738
Profit for the period	-	-	-	-	6,929	6,929	2,736	9,665
At 31 December 2006 (Unaudited)	287,953	61,752	-	2,264	(75,145)	276,824	13,578	290,402

For the six months ended 31 December 2005 (Unaudited)

	Equity attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Convertible notes HK\$'000	Non-distributable reserve HK\$'000	Accumulated losses HK\$'000	Sub total HK\$'000	Minority interests HK\$'000	
At 1 July 2005 (Audited)	247,953	61,454	-	2,264	(89,221)	222,450	8,386	230,836
Convertible notes – equity component	-	-	655	-	-	655	-	655
Profit for the period	-	-	-	-	460	460	805	1,265
At 31 December 2005 (Unaudited)	247,953	61,454	655	2,264	(88,761)	223,565	9,191	232,756

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(7,398)	22,866
Net cash inflow/(outflow) from investing activities	4,194	(95,650)
Net cash (outflow)/inflow from financing activities	(3,647)	39,752
Decrease in cash and cash equivalents	(6,851)	(33,032)
Cash and cash equivalents at beginning of period	86,265	110,017
Cash and cash equivalents at end of period	79,414	76,985
Analysis of balances of cash and cash equivalents		
Cash and bank balances	24,135	24,297
Cash at securities company	55,279	52,688
	79,414	76,985

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those adopted in financial statements for the year ended 30 June 2006, except that the Group has changed certain accounting policies following the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) (collectively the “new HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2006:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The adoption of the new HKFRSs has no material effect on the Group’s results and financial position for the current or prior periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2006

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) – Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁵
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁷

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 March 2006.

⁴ Effective for annual periods beginning on or after 1 May 2006.

⁵ Effective for annual periods beginning on or after 1 June 2006.

⁶ Effective for annual periods beginning on or after 1 November 2006.

⁷ Effective for annual periods beginning on or after 1 March 2007.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2006

3. SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are leasing of the 70% owned cruise, the manufacturing and trading of electrical equipment, provision of electrical engineering and contracting services, trading of listed securities and property investments. An analysis of the Group's turnover and contribution to profit from operations by principal activities and geographical locations during the period is shown as follows:

(a) Business segments

	Six months ended 31 December 2006 (Unaudited)					
	Sales of electrical equipment HK\$'000	Cruise leasing HK\$'000	Trading of listed securities HK\$'000	Electrical engineering and contracting services HK\$'000	Entertainment HK\$'000	Consolidated HK\$'000
Segment revenue:						
Sales/services to external customers	46,697	18,000	-	18,721	-	83,418
Segment results	4,876	10,036	-	2,367	-	17,279
Interest income						1,347
Other income						58
Distribution costs						(345)
General and administrative expenses						(6,375)
Fair value changes on financial assets at fair value through profit or loss						(170)
Profit from operations						11,794
Finance costs						(1,555)
Profit before taxation						10,239
Taxation						(574)
Profit for the period						9,665
Segment assets	60,093	205,865	41,252	9,131	1	316,342
Unallocated assets						50,162
Total assets						366,504
Segment liabilities	10,533	48,625	4,112	7,021	35	70,326
Unallocated liabilities						5,776
Total liabilities						76,102
Other segment information:						
Capital expenditure	154	31	-	-	-	185
Unallocated capital expenditure						4
						189
Depreciation and amortisation	202	7,964	-	-	-	8,166
Unallocated amounts						61
						8,227
Other non-cash expenses:						
Impairment loss in respect of trade and other receivables	463	-	-	-	-	463
Fair value changes on financial value through profit or loss	-	-	170	-	-	170

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2006

3. SEGMENTAL INFORMATION (continued)**(a) Business segments** (continued)

Six months ended 31 December 2005 (Unaudited)

	Manufacture and sales of electrical equipment HK\$'000	Trading of listed securities HK\$'000	Cruise Ship business HK\$'000	Provision of electrical engineering and contracting services HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales/services to external customers	32,859	–	9,000	12,369	54,228
Segment results	3,870	–	5,365	1,501	10,736
Interest income					811
Other income					1,211
Distribution costs					(369)
General and administrative expenses					(9,993)
Profit from operations					2,396
Finance costs					(783)
Profit before taxation					1,613
Taxation					(348)
Profit for the period					1,265
Segment assets	53,223	6,960	199,213	11,487	270,883
Unallocated assets					81,325
Total assets					352,208
Segment liabilities	16,070	4,229	59,304	3,383	82,986
Unallocated liabilities					36,466
Total liabilities					119,452
Other segment information:					
Capital expenditure	–	–	96,796	–	96,796
Unallocated capital expenditure					554
					97,350
Depreciation and amortisation	207	–	3,001	–	3,208
Unallocated amounts					64
					3,272
Other non-cash income/(expenses):					
Fair value changes on financial assets at fair value through profit and loss	–	606	–	–	606
Impairment loss in respect of trade and other receivables	(4)	–	–	–	(4)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2006

3. SEGMENTAL INFORMATION (continued)**(b) Geographical segments**

	Six months ended 31 December 2006 (Unaudited)		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales/services to external customers	83,418	-	83,418
Segment results	17,279	-	17,279
Other segment information:			
Carrying amount of segment assets	366,504	-	366,504
Capital expenditure	189	-	189
	Six months ended 31 December 2005 (Unaudited)		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales/services to external customers	54,228	-	54,228
Segment results	10,736	-	10,736
Other segment information:			
Carrying amount of segment assets	325,008	27,200	352,208
Capital expenditure	97,350	-	97,350

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2006

4. PROFIT FROM OPERATIONS

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before taxation is stated after charging/(crediting):		
Amortisation of intangible assets	–	165
Amortisation of prepaid land premiums	32	43
Depreciation of property, plant and equipment	8,195	3,064
Loss on disposal of property, plant and equipment	–	198
Impairment loss recognised in respect of trade and other receivable	463	4
Fair value changes on financial assets at fair value through profit or loss	170	(606)

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	574	348
Deferred tax		
– Current year	–	–
	574	348

6. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the period under review (2005: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2006

7. EARNINGS PER ORDINARY SHARE

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	6,929	460
Interest on convertible bonds (note 14)	992	–
Profit attributable to ordinary equity holders of the Company before interest on convertible bonds	7,921	460

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	12,730,963	12,397,630
Effect of diluted potential ordinary shares:		
Convertible notes	1,666,667	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	14,397,630	12,397,630

Diluted earnings per ordinary share has been presented for the period ended 31 December 2006 and 2005 even though the conversion of the Company's outstanding convertible notes would be anti-dilutive.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2006, the Group acquired property, plant and equipment at a cost of approximately HK\$189,000. The Group has not disposed any property, plant and equipment during the year ended 31 December 2006.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2006

9. PREPAID LAND PREMIUMS

As at 31 December 2006, no leasehold lands of the Group (at 30 June 2006: HK\$2,643,000) were mortgaged to a bank for securing general banking facilities.

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
In Hong Kong held on:		
Medium term leases	2,611	2,643

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers. Included in trade and other receivables are trade debtors of HK\$26,305,000 (at 30 June 2006: HK\$29,490,000) with the following aging analysis:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
0 day to 30 days	13,754	12,199
31 days to 60 days	4,808	7,725
61 days to 90 days	4,167	5,980
Over 90 days	3,576	3,586
	26,305	29,490

11. PLEDGE OF ASSETS

As at 31 December 2006, no leasehold land and buildings of the Group were pledged to a bank for banking facilities (at 30 June 2006: HK\$5,438,000). As at 31 December 2006, a subsidiary's bank deposits of approximately HK\$68,000 (at 30 June 2006: HK\$4,451,000) had been pledged for a letter of guarantee.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2006

12. SHARE CAPITAL

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.02 each	1,000,000	1,000,000

	Number of Ordinary share	Amount HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 July 2006	12,397,630,000	247,953
Issue of ordinary shares from conversion of convertible notes	2,000,000,000	40,000
	14,397,630,000	287,953

Note:

- (i) On 1 December 2006, 2,000,000,000 ordinary shares of HK\$0.02 each were issued by the Company as a result of the exercise of the conversion rights attached to the Convertible Notes of an aggregate principal amount of HK\$40,000,000 issued by the Company on 21 October 2005 at a conversion price of HK\$0.02 each.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$9,083,000 (at 30 June 2006: HK\$9,077,000) with the following aging analysis:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
0 day to 30 days	4,458	3,536
31 days to 60 days	2,672	2,919
61 days to 90 days	1,952	2,591
Over 90 days	1	31
	9,083	9,077

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2006

14. CONVERTIBLE NOTES

	<i>HK\$'000</i>
Liability component at 1 July 2006	39,765
Extension of the convertible notes	(181)
	39,584
Imputed interest for the year	992
Interest expense	(838)
Liability component at 30 November 2006	39,738
Converted to ordinary share at 1 December 2006	(39,738)
Liability component at 31 December 2006	–

Pursuant to the convertible notes subscription agreements dated 12 September 2005, the Company issued convertible notes in the principal of HK\$40,000,000 (the "Convertible Notes") to two independent third parties (the "Noteholders"). The Noteholders may at any business day after the date of issue of the Convertible Notes up to and including the date prior to the anniversary of the date of issue of the Convertible Notes convert the whole or any part in an amount or integral multiple of HK\$1,000,000 of the principal amount of the Convertible Notes into shares of HK\$0.02 each in the share capital of the Company, at the conversion price of HK\$0.02 per share.

Subsequent to the year ended 30 June 2006, the convertible noteholders, Mr. Chan Yan To and Ms. Lam Wai Han have confirmed to extend the repayment of the principal amount of convertible notes together with interest to 21 October 2007 and all terms and conditions of the convertible notes will remain unchanged. The Convertible Notes are converted into ordinary shares of HK\$0.02 each at the conversion price of HK\$0.02 per share on 1 December 2006.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2006

15. CONTINGENT LIABILITIES

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
(i) Irrecoverable letters of credit	-	1,384
Other trade guarantees	-	136
	-	1,520

As at 31 December 2006, the Group had no material and contingent liabilities.

- (ii) On 1 September 2004, a writ of summons and statement of claim was made by The Centre (49) Limited against the Company in respect of the office premises previously surrendered by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK\$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the periods ended 31 December 2005 and 2006, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

16. OPERATING LEASE COMMITMENTS

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
Within one year	1,318	907
After one year but within 5 years	198	1,063
	1,516	1,970

17. CAPITAL COMMITMENTS

As at 31 December 2006, the Group had no capital commitment (as at 30 June 2006: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2006

18. MATERIAL RELATED PARTY TRANSACTIONS

Related parties	Relationship	Nature of transactions	Six months ended	
			31 December 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Gason Electrical Contracting Ltd.	Company in which two directors of subsidiaries have beneficial interests	Sales – received	8,796	10,259
Gold Arch Engineering Ltd	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	180	180
Key management personnel	Directors	Directors' emoluments	1,660	1,370

19. SUBSEQUENT EVENTS

The Company and Mr. Guo Nan ("Mr. Guo"), an Independent Third Party, have entered into the Acquisition Agreement on 16 January 2007. Pursuant to the Acquisition Agreement (the "Acquisition"), the Company has conditionally agreed to acquire and Mr. Guo has conditionally agreed to dispose of 100 shares of US\$1.00 each in the share capital of Credible Limited (the "Credible"), representing 100% of the entire issued share capital of Credible. Details of the transactions are set out in the announcement issued by the Company dated 9 February 2007.

On 5 March 2007, the Company announced that the despatch of the Circular relating to the Acquisition will be postponed. The directors of the Company consider that the dispatched of the Circular has to be postponed and the Company has applied to The Stock Exchange of Hong Kong Limited for a waiver from a strict compliance with Rule 14.38 of the Listing Rules by extending the dispatch date of the Circular to a date falling on or before 10 April 2007. Details of the transactions are set out in the announcement issued by the Company dated 5 March 2007.

On 26 February 2007, the Company had granted 88,420,000 options to the employees of the Company under the Company's Share Option Scheme at an exercise price of HK\$0.0728.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 December 2006

20. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 23 March 2007.

By Order of the Board

Lin Cheuk Fung

Chairman

Hong Kong, 23 March 2007

As at the date of this report, the Executive Directors of the Company are Mr. Lin Cheuk Fung, Mr. Lau Kwok Hung, Mr. Lau Kwok Keung and Mr Chan Shiu Kwong, Stephen. The independent non-executive directors are Mr. Chow Pui Fung, Mr. Yue Fu Wing and Mr. Wong Yuk Man.