



建美集團有限公司  
MAE HOLDINGS LIMITED

Stock Code : 851

Interim Report  
**2007/08**

## CHAIRMAN' STATEMENT

### Forward

On behalf of the board of directors (the "Board") of MAE Holdings Limited (the "Company"), I announce herewith the interim results of the Company and its subsidiaries (together the "Group") for the six months ended 31 October 2007.

During the period ended 31 October 2007, the Group recorded turnover of HK\$11,280,000, compared with HK\$14,071,000 for the corresponding period of the previous year. Loss attributable to shareholders of the Company was HK\$17,437,000, compared with HK\$22,407,000 for the corresponding period of the previous year.

The Group underwent a period of rationalization. Faced with continued challenges, the Group, led by a team of newly appointed management, took the necessary corrective measures to streamline the operations and, as a result, narrowed the losses. The business environment for the Group remained anything but favorable, due particularly to the shortage of labor in Southern China and the persistently high prices of copper and fuel. The Group is conducting constructive investigations into new development opportunities, including possibly those involving asset acquisitions, which offer solid prospects, so that the optimization of shareholders' returns is ensured.

### Conclusion

Finally, I would like to take this opportunity to express my gratitude to the members of the board for their diligent guidance and support, to thank the management team for their leadership and all staff for their hard works during the difficult period. I would also like to thank our former major shareholders and directors, customers and vendors for their continued support.

**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 31 October*

|                                       |      | <b>Unaudited</b>               |                  |
|---------------------------------------|------|--------------------------------|------------------|
|                                       | Note | <b>2007</b><br><b>HK\$'000</b> | 2006<br>HK\$'000 |
| <b>Turnover</b>                       | 2    | <b>11,280</b>                  | 14,071           |
| Cost of sales                         |      | <b>(24,436)</b>                | (21,542)         |
| Gross loss                            |      | <b>(13,156)</b>                | (7,471)          |
| Other revenue                         |      | <b>8,366</b>                   | 26               |
| Selling and distribution costs        |      | <b>(801)</b>                   | (2,148)          |
| Administrative and operating expenses |      | <b>(9,211)</b>                 | (11,952)         |
|                                       |      | <b>(10,012)</b>                | (14,100)         |
| <b>Loss from operations</b>           | 3    | <b>(14,802)</b>                | (21,545)         |
| Finance costs                         |      | <b>(2,837)</b>                 | (862)            |
| Gain on disposal of subsidiaries      |      | <b>202</b>                     | —                |
| <b>Loss before income tax</b>         |      | <b>(17,437)</b>                | (22,407)         |
| Income tax                            | 4    | <b>—</b>                       | —                |
| <b>Loss for the period</b>            |      | <b>(17,437)</b>                | (22,407)         |
| <b>Dividends</b>                      |      | <b>—</b>                       | —                |
| <b>Loss per share</b>                 | 5    |                                |                  |
| Basic                                 |      | <b>(HK\$0.16)</b>              | (HK\$0.40)       |
| Diluted                               |      | <b>—</b>                       | —                |

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

**CONDENSED CONSOLIDATED BALANCE SHEET**

|  | Note | <b>Unaudited<br/>31 October<br/>2007<br/>HK\$'000</b> | <b>Audited<br/>30 April<br/>2007<br/>HK\$'000</b> |
|--|------|---|---|
| <b>NON-CURRENT ASSETS</b>                        |      |   |   |
| Property, plant and equipment                    | 6    | <b>1,875</b>  | 6,267   |
| Deferred costs                                   | 6    | <b>—</b>  | 251   |
|  |      | <b>1,875</b>  | 6,518   |
| <b>CURRENT ASSETS</b>                            |      |   |   |
| Inventories                                      |      | <b>2,217</b>  | 8,353   |
| Trade and other receivables                      | 7    | <b>9,078</b>  | 5,111   |
| Cash and bank balances                           |      | <b>7,684</b>  | 2,204   |
|  |      | <b>18,979</b>   | 15,668  |
| <b>CURRENT LIABILITIES</b>                       |      |   |   |
| Bank overdrafts — secured                        |      | <b>—</b>  | 3,001   |
| Trade and other payables                         | 8    | <b>8,989</b>  | 26,718  |
| Obligations under finance leases                 |      | <b>—</b>  | 302   |
| Borrowings                                       | 9    | <b>20,011</b>   | 42,217  |
|  |      | <b>29,000</b>   | 72,238  |
| <b>NET CURRENT LIABILITIES</b>                   |      | <b>(10,021)</b>                                       | (56,570)  |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b> |      | <b>(8,146)</b>  | (50,052)  |
| <b>NON-CURRENT LIABILITIES</b>                   |      |   |   |
| Convertible bonds                                | 10   | <b>(44,088)</b>                                       | (2,409)   |
| <b>NET LIABILITIES</b>                           |      | <b>(52,234)</b>                                       | (52,461)  |
| <b>CAPITAL AND RESERVES</b>                      |      |   |   |
| Share capital                                    | 11   | <b>14,367</b>   | 6,395   |
| Reserves   |      | <b>(66,601)</b>                                       | (58,856)  |
| <b>TOTAL EQUITY</b>                              |      | <b>(52,234)</b>                                       | (52,461)  |

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Merger<br>reserve<br>HK\$'000 | Translation<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|------------------------------|--|--------------------------------|-------------------------------|------------------------------------|-----------------------------------|-------------------|
| At 1 May 2006   | 5,558                        | 2,530                        | 477  | 37,338                         | 758                           | (339)                              | (44,353)                          | 1,969             |
| Conversion of old<br>convertible bonds<br>in shares   | 120                          | 276                          | —  | (358)                          | —                             | —                                  | —                                 | 38                |
| Net loss for the period   | —                            | —                            | —  | —                              | —                             | —                                  | (22,407)                          | (22,407)          |
| At 31 October 2006  | 5,678                        | 2,806                        | 477  | 36,980                         | 758                           | (339)                              | (66,760)                          | (20,400)          |
| At 1 May 2007   | 6,395                        | 4,455                        | 477  | 34,841                         | 758                           | (362)                              | (99,025)                          | (52,461)          |
| Conversion of old<br>convertible bonds<br>in shares   | 972                          | 255                          | —  | (1,110)                        | —                             | —                                  | —                                 | 117               |
| Issue of new shares   | 7,000                        | 1,400                        | —  | —                              | —                             | —                                  | —                                 | 8,400             |
| Equity component<br>of new convertible<br>bonds issued                                      | —                            | —                            | —  | 9,766                          | —                             | —                                  | —                                 | 9,766             |
| Expenses incurred in<br>connection with the<br>issue of shares and<br>new convertible bonds | —                            | (981)                        | —  | —                              | —                             | —                                  | —                                 | (981)             |
| Translation reserve<br>incurred in the period   | —                            | —                            | —  | —                              | —                             | 362                                | —                                 | 362               |
| Net loss for the period   | —                            | —                            | —  | —                              | —                             | —                                  | (17,437)                          | (17,437)          |
| At 31 October 2007  | 14,367                       | 5,129                        | 477  | 43,497                         | 758                           | —                                  | (116,462)                         | (52,234)          |

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

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 31 October*

|  | <b>Unaudited</b> |          |
|--|------------------|----------|
|  | <b>2007</b>      | 2006     |
|  | <b>HK\$'000</b>  | HK\$'000 |
| Net cash used in operating activities                | <b>(34,611)</b>  | (17,279) |
| Net cash used in investing activities                | <b>1,752</b>     | (360)    |
| Net cash from financing activities                   | <b>40,978</b>    | 13,866   |
| Net increase/(decrease) in cash and cash equivalents | <b>8,119</b>     | (3,773)  |
| Effect on foreign currency translation               | <b>362</b>       | —        |
| Cash and cash equivalents at 1 May                   | <b>(797)</b>     | 1,158    |
| Cash and cash equivalents at 31 October              | <b>7,684</b>     | (2,615)  |
| Analysis of balances of cash and cash equivalents:   |                  |          |
| Cash and bank balances                               | <b>7,684</b>     | 357      |
| Bank overdrafts — secured                            | <b>—</b>         | (2,972)  |
|  | <b>7,684</b>     | (2,615)  |

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

## NOTES TO THE INTERIM FINANCIAL REPORT

### 1. Basis of preparation

This unaudited interim financial statements has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The same accounting policies and basis of preparation adopted in the Group's year ended 30 April 2007 audited annual financial statements have been applied to the period ended 31 October 2007 interim financial statements.

### 2. Segment information

#### *Business segments*

For the six months ended 31 October

|                                  | Electrical products |                  | Adaptors and transformers |                  | Others           |                  | Total            |                  |
|----------------------------------|---------------------|------------------|---------------------------|------------------|------------------|------------------|------------------|------------------|
|                                  | 2007<br>HK\$'000    | 2006<br>HK\$'000 | 2007<br>HK\$'000          | 2006<br>HK\$'000 | 2007<br>HK\$'000 | 2006<br>HK\$'000 | 2007<br>HK\$'000 | 2006<br>HK\$'000 |
| Turnover — external              | <b>8,773</b>        | 3,788            | <b>2,007</b>              | 6,922            | <b>500</b>       | 3,361            | <b>11,280</b>    | 14,071           |
| Segment result                   | <b>(3,312)</b>      | (2,445)          | <b>(7,824)</b>            | (2,831)          | <b>(1,420)</b>   | (3,953)          | <b>(12,556)</b>  | (9,229)          |
| Unallocated corporate income     |                     |                  |                           |                  |                  |                  | <b>8,366</b>     | 26               |
| Unallocated corporate expenses   |                     |                  |                           |                  |                  |                  | <b>(10,612)</b>  | (12,342)         |
| Loss from operations             |                     |                  |                           |                  |                  |                  | <b>(14,802)</b>  | (21,545)         |
| Finance costs                    |                     |                  |                           |                  |                  |                  | <b>(2,837)</b>   | (862)            |
| Gain on disposal of subsidiaries |                     |                  |                           |                  |                  |                  | <b>202</b>       | —                |
| Loss for the period              |                     |                  |                           |                  |                  |                  | <b>(17,437)</b>  | (22,407)         |

**2. Segment information** (continued)*Geographical segments*

For the six months ended 31 October

|                          | <b>Turnover by<br/>geographical market</b> |                 |
|--------------------------|--|-----------------|
|                          | <b>2007</b>                                | 2006            |
|                          | <b>HK\$'000</b>                            | <i>HK\$'000</i> |
| Japan                    | <b>1,627</b>                               | 3,367           |
| North America            | <b>356</b>                                 | 4,228           |
| PRC, including Hong Kong | <b>8,184</b>                               | 4,437           |
| Europe and others        | <b>1,113</b>                               | 2,039           |
|                          | <b>11,280</b>                              | 14,071          |

**3. Loss from operations**

The Group's loss from operations is arrived at after charging

|   | <b>Unaudited</b> |                 |
|---|------------------|-----------------|
|   | <b>2007</b>      | 2006            |
|   | <b>HK\$'000</b>  | <i>HK\$'000</i> |
| Amortization of deferred costs                | <b>57</b>        | 105             |
| Depreciation of property, plant and equipment |                  |                 |
| Owned   | <b>1,089</b>     | 1,864           |
| Under finance leases obligations              | <b>—</b>         | 159             |
| and after crediting:                          |                  |                 |
| waives of loan and interest from former       |                  |                 |
| Shareholder <i>(note)</i>                     | <b>7,828</b>     | —               |

Note: As disclosed in the circular of the Company dated 21 June 2007, the Company has repaid the former shareholder HK\$45,000,000 as full settlement of loan provided. The former shareholder waived the balances of loan and interest on the amount in excess of HK\$45,000,000.

**4. Income tax**

No provision for Hong Kong profits tax has been made in the financial statements as the Group does not have any assessable profits for the period (2006: Nil).

No provision for People's Republic of China (the "PRC") enterprise income tax has been made in the financial statements as the PRC subsidiary incurred a tax loss for the period (2006: Nil).



**5. Loss per share***(a) Basic loss per share*

The calculation of basic loss per share is based on the consolidated loss for the period of HK\$17,437,000 (2006: HK\$22,407,000) and the weighted average of 109,218,876 ordinary shares (2006: 55,727,567 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

|   | <b>2007</b>        | 2006       |
|---|--------------------|------------|
| Issued ordinary shares at 1 May                                     | <b>63,947,156</b>  | 55,578,985 |
| Effect of conversion rights attached to convertible bonds exercised | <b>4,565,198</b>   | 148,582    |
| Issue of shares   | <b>40,706,522</b>  | —          |
| Issued ordinary shares at 31 October                                | <b>109,218,876</b> | 55,727,567 |

*(b) Diluted Loss per Share*

Diluted loss per share for the period ended 31 October 2007 and 2006 have not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss for the period.

**6. Movements in Property, Plant and Equipment and Deferred Costs**

| <b>Cost</b>                                      | <b>Property, plant and equipment</b> | <b>Deferred costs</b> |
|--|--------------------------------------|-----------------------|
|  | HK\$'000                             | HK\$'000              |
| At 1 May 2007                                    | 114,320                              | 11,842                |
| Additions  | 379                                  | —                     |
| Disposals  | (16,634)                             | —                     |
| Written off                                      | (15,598)                             | (11,842)              |
| At 31 October 2007                               | 82,467                               | —                     |
| <b>Depreciation, amortization and impairment</b> |                                      |                       |
| At 1 May 2007                                    | 108,053                              | 11,591                |
| Provided for the period                          | 1,089                                | 57                    |
| Written back on disposals                        | (16,131)                             | —                     |
| Written off                                      | (12,419)                             | (11,648)              |
| At 31 October 2007                               | 80,592                               | —                     |
| <b>Net book values</b>                           |                                      |                       |
| At 31 October 2007                               | 1,875                                | —                     |

**7. Trade and other receivables**

|   | Note | <b>Unaudited<br/>31 October<br/>2007<br/>HK\$'000</b> | Audited<br>30 April<br>2007<br>HK\$'000 |
|---|------|---|---|
|   |      |   |   |
| Trade receivables                           | a    | <b>7,044</b>  | 1,933                                   |
| Prepayments, deposits and other receivables |      | <b>2,034</b>  | 3,178                                   |
|   |      | <b>9,078</b>  | 5,111                                   |

**7. Trade and other receivables** *(continued)*

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

|               | <b>Unaudited<br/>31 October<br/>2007<br/>HK\$'000</b> | Audited<br>30 April<br>2007<br>HK\$'000 |
|---------------|---|---|
| 0 — 90 days   | <b>6,998</b>  | 1,456                                   |
| 91 — 180 days | <b>3</b>  | 69                                      |
| Over 180 days | <b>43</b>   | 408                                     |
|               | <b>7,044</b>  | 1,933                                   |

The Group allows an average credit period of 0 day to 90 days to its trade customers.

**8. Trade and other payables**

|                             | Note | <b>Unaudited<br/>31 October<br/>2007<br/>HK\$'000</b> | Audited<br>30 April<br>2007<br>HK\$'000 |
|-----------------------------|------|---|---|
| Trade payables              | a    | <b>3,785</b>  | 6,781                                   |
| Bills payable — secured     |      | —   | 6,149                                   |
| Due to a related company    |      | —   | 1,006                                   |
| Other payables and accruals |      | <b>5,204</b>  | 12,782                                  |
|                             |      | <b>8,989</b>  | 26,718                                  |

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

|               | <b>Unaudited<br/>31 October<br/>2007<br/>HK\$'000</b> | Audited<br>30 April<br>2007<br>HK\$'000 |
|---------------|---|---|
| 0 — 90 days   | <b>2,218</b>  | 2,110                                   |
| 91 — 180 days | <b>3</b>  | 355                                     |
| Over 180 days | <b>1,564</b>  | 4,316                                   |
|               | <b>3,785</b>  | 6,781                                   |

**9. Borrowings**

|             | <b>Interest-bearing</b>                  |                             | <b>Non interest-bearing</b>              |                             | <b>Total</b>                             |                             |
|-------------|--|-----------------------------|--|-----------------------------|--|-----------------------------|
|             | <b>Unaudited<br/>31 October<br/>2007</b> | Audited<br>30 April<br>2007 | <b>Unaudited<br/>31 October<br/>2007</b> | Audited<br>30 April<br>2007 | <b>Unaudited<br/>31 October<br/>2007</b> | Audited<br>30 April<br>2007 |
| Other loans |  |                             |  |                             |  |                             |
| — unsecured | <b>20,011</b>                            | 42,067                      | <b>—</b>                                 | 150                         | <b>20,011</b>                            | 42,217                      |

**10. Convertible Bonds**

|  | <b>HK\$'000</b> |
|--|-----------------|
| Liability component of old bonds at 1 May 2007                   | <b>2,409</b>    |
| Principal amount of new convertible bonds issued                 | <b>51,600</b>   |
| Initial recognition of equity component of new convertible bonds | <b>(9,766)</b>  |
| Conversion of old bonds into the Company's new ordinary shares   | <b>(117)</b>    |
| Accrued interest capitalized                                     | <b>(38)</b>     |
| Liability component of total bonds at 31 October 2007            | <b>44,088</b>   |

During the period under review, the old bonds with an aggregate principal amount of HK\$1,227,000 were converted into the Company's new 9,721,209 ordinary shares and no part of the new bonds was converted into the Company's ordinary shares.

**11. Share Capital**

|  | <b>Unaudited<br/>31 October<br/>2007</b> | <b>Audited<br/>30 April<br/>2007</b> |
|--|--|--------------------------------------|
| Authorized:<br>2,000,000,000 shares of HK\$0.10 each   | <b>200,000,000</b>                       | 200,000,000                          |
| Issued and fully paid:<br>143,668,365 (30 April 2007: 63,947,156) shares<br>of HK\$0.10 each | <b>14,366,837</b>                        | 6,394,716                            |

A summary of the transactions involving the Company's issued ordinary share capital during the period is as follows:

|                              | <b>Number of<br/>ordinary shares of<br/>HK\$0.10 each</b> | <b>Issued<br/>share capital<br/>HK\$'000</b> |
|------------------------------|---|--|
| At 1 May 2007                | 63,947,156  | 6,395  |
| Convertible bonds conversion | 9,721,209   | 972  |
| Issue of new shares          | 70,000,000  | 7,000  |
| At 31 October 2007           | 143,668,365   | 14,367                                       |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

During the period under review, the business of manufacturing and trading of adaptor and transformers continues to shrink as the products that we offered were not as competitive as others in terms of cost and design. The Company due to limitation of resources did not input much investment on research and development on new product line. Overhead costs of running the manufacturing plant were increasing. Insufficient production volume restricts the Company from increasing the gross profit margin. We see that the business environment in the adaptors and transformers manufacturing was getting worse and such business cannot create further value for the shareholders. However, the Company has introduced a new department engaged in trading of audio related product components and the Company expected that such new trading business could stabilize the revenue base of the Company.

During the period, we recorded a turnover of HK\$11,280,000 represented a decrease of 20% as compared with last corresponding period.

The gross loss for the period was HK\$13,156,000 (2006: HK\$7,471,000) and the net loss for the period was HK\$17,437,000 (2006: HK\$22,407,000).

The basic loss per share was HK\$0.16 (2006: HK\$0.40).

### Interim Dividend

The Board does not recommend the payment of any interim dividend (2006: Nil)

### Issue of Shares and Convertible Bonds and Conversion of Convertible Bonds

During the period ended 31 October 2007, the Company issued 70,000,000 new shares at a price of HK\$0.12 per share and new convertible bonds with an aggregate principal amount of HK\$51,600,000 with a conversion price of HK\$0.12 per Bond.

During the period ended 31 October 2007, the old convertible bonds with an aggregate principal amount of HK\$1,227,000 were converted in the Company's new 9,721,209 ordinary shares.

## **Business Review**

The turnover for electrical products recorded HK\$8,773,000 and represented an increase of 131% in comparison with last period. This resulted from introduction of new business channel from the new management.

The turnover for adaptors and transformers recorded HK\$2,007,000 and represented a decrease of 71% in comparison with last period.

The other products consisted of manufacture and sale of plastics, moulding and electronic assembly services.

## **Liquidity and Financial Resources**

The Group financed its operation with internally generated cash flow, medium term loan and banking facilities, and the proceeds from the issuance of shares and convertible bonds. As at 31 October 2007, the Group had current assets of approximately HK\$18,979,000 (2006: approximately HK\$28,916,000) and current liabilities of approximately HK\$29,000,000 (2006: approximately HK\$26,187,000). The Group's current ratio (currents assets over current liabilities) decreased to 65% (2006: 92%). The Group's transactions are mainly denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is pegged to United State dollars, the Group's exposure to exchange rate fluctuations is minimal.

## **Acquisition and Disposal of Material Subsidiaries**

The Group did not acquire or dispose of any material subsidiaries during the period under review. During the period under review, the Group disposed dormant subsidiaries at profit of HK\$202,000.

## **Employees and Remuneration Policies**

As at 31 October 2007, the Group employed approximately 16 employees in Hong Kong. Remuneration policies are reviewed regularly and maintained at competitive level with the market. In addition to basic salary, discretionary bonuses, mandatory provident fund and medical insurance scheme, share options may also be granted to eligible employees which are at the discretion of the board and are based on the performance of the individual employees as well as the Group.

## Contingent Liabilities

The Company has given guarantee to a bank to secure facilities granted to its subsidiary. At the balance sheet date, the subsidiary has wholly settled all outstanding balance due to the bank and the guarantee remains effective until January 2008. The directors do not consider it probable that a claim will be made against the Company under any of the guarantees.

The Company has not recognized any deferred income in respect of the guarantee as their fair value cannot be reliably measured and their transaction price is Nil.

Subsequent to the balance sheet date, the Inland Revenue Department of Hong Kong issued additional assessment of HK\$4,605,000 to the Company's subsidiary. The subsidiary formally objected to the additional assessment. The directors considered that no provision is required.

## Directors' and chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation

At 31 October 2007, the directors who had interests or short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, 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 (the "Model Code"), were as follows:

### Interest and Short Position in the Shares and the Underlying Shares of the Convertible Bonds of the Company as at 31 October 2007

#### (i) Long position in the Shares:

| Name of director          | Capacity                              | Number of issued shares | Approximate percentage of the total issued share capital |
|---------------------------|---------------------------------------|-------------------------|--|
| Mr. Ko Chun Shun, Johnson | Held by controlled corporation (Note) | 93,099,512              | 64.80%   |

Note: The 93,099,512 shares are held by Prime Sun Group Limited, a company wholly-owned by Mr. Ko Chun Shun, Johnson.



**(ii) Long position in the underlying shares of the convertible bonds of the Company:**

| <b>Name of director</b>   | <b>Description of equity derivatives</b> | <b>Note</b> | <b>Number of the total underlying shares</b> |
|---------------------------|--|-------------|--|
| Mr. Ko Chun Shun, Johnson | 3 Years 4.5% convertible bonds           | (2)         | 372,004,960                                  |
|                           | 5 Years 5.0% convertible bonds           | (3)         | 430,000,000                                  |
|                           |  |             | <u>802,004,960</u>                           |

Note: (1) Both of convertible bonds are held by Grand Promise Enterprises Limited, a company wholly-owned by Mr. Ko Chun Shun, Johnson.

(2) The 3 Years 4.5% convertible bonds with an outstanding principal amount of HK\$37,304,800 as at 31 October 2007 issued by the Company in 3 March 2006 and due on 2 March 2009 are convertible into the Shares at a conversion price of HK\$0.1 per share.

(3) The 5 Years 5.0% convertible bonds with an outstanding principal amount of HK\$51,600,000 as at 31 October 2007 issued by the Company in 17 July 2007 and due on 16 July 2012 are convertible into the Shares at the conversion price of HK\$0.12 per share.

Save as disclosed above, as at 31 October 2007, none of the directors and the chief executive of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

### Directors' rights to acquire shares

Save as disclosed under the heading "Directors and chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors of the Company (including their respectively spouse and children under the age of 18) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

### Share Options

Under the share option scheme adopted by the Company on 10 November 1998 (the "Old Scheme"), the Board of Directors of the Company might grant options to full-time employees (including executive directors) of the Company or any of its subsidiaries. On 24 September 2004, a new share option scheme (the "New Scheme") was adopted by the Company and the Old Scheme was terminated. No further options can be offered under the Old Scheme. However, all other respects of the provisions of the Old Scheme shall remain in full force and holders of all options granted under the Old Scheme prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of the Old Scheme until the expiry of the said options.

In July 2007, Prime Sun, the then substantial shareholder of the Company made the General Offer pursuant to the Takeovers Code to the shareholders, the holders of old convertible notes and the holder of share option. The details of these were disclosed in the circular of the Company dated 20 July 2007. Prime Sun offered to pay HK\$0.01 per share option in cash to the option holders in consideration of cancelling all the rights of the option holders in respect of their share options (the "Option Offer"). On 13 August 2007, Prime Sun received acceptance from all the then remaining option holders under the Option Offer.

The following table discloses the Company's share options under the Old Scheme held by employees (including directors) and movements during the period:

| <b>Date of grant</b>                             | <b>Outstanding<br/>at<br/>1/5/2007</b> | <b>Exercise<br/>up to<br/>31/4/2007</b> | <b>Lapsed<br/>up to<br/>31/10/2007</b> | <b>Cancelled<br/>up to<br/>31/10/2007</b> | <b>Outstanding<br/>at<br/>31/10/2007</b> | <b>Exercise<br/>price</b> | <b>Exercisable<br/>period</b> |
|--|--|---|--|---|--|---------------------------|-------------------------------|
| (a) An executive director:                       |  |   |  |   |  |                           |                               |
| Mr. Lau Kevin<br>(resigned on<br>28 August 2007) |  |   |  |   |  |                           |                               |
| 24/6/2000  | 102,400                                | —                                       | —                                      | 102,400                                   | —  | 8.40                      | 24/6/2000<br>to 9/11/2008     |
| (b) Employee's in aggregate                      |  |   |  |   |  |                           |                               |
| 18/2/2000  | 800                                    | —                                       | —                                      | 800                                       | —  | 16.94                     | 18/2/2000<br>to 9/11/2008     |
| 3/7/2000   | 7,200                                  | —                                       | —                                      | 7,200                                     | —  | 8.40                      | 3/7/2000<br>to 9/11/2008      |
| 5/7/2000   | 3,680                                  | —                                       | 1,280                                  | 2,400                                     | —  | 8.40                      | 5/7/2000<br>to 9/11/2008      |
|  | 11,680                                 | —                                       | 1,280                                  | 10,400                                    | —  |                           |                               |
|  | 114,080                                | —                                       | 1,280                                  | 112,800                                   | —  |                           |                               |

The Company did not grant any share options under the New Scheme during the period. As at the date of this interim report, all the existing share options granted pursuant to the Old Scheme were cancelled due to the General Offer.

### Substantial Shareholders

As at 31 October 2007, save as disclosed under the section “Directors’ and chief executives’ interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation” above, no other person had registered any substantial shareholders’ interests, being 5% or more of the Company issued share capital under Section 336 of the SFO.

### Purchase, Sales or Redemption of the Company’s Listed Securities

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### Corporate Governance

The Board has complied with the code provisions set out in Appendix 14 of the Codes on Corporate Governance Practices under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the period ended 31 October 2007 except for the deviations from Code Provisions A.2.1 which will be elaborated below.

There is no separation of the role of Chairman (“Chairman”) and chief executive officer (“CEO”) as set out in the code provision A.2.1. Mr. Ko Chun Shun, Johnson currently assumes the role of both the Chairman and the CEO of the Company as the Company cannot identify any suitable candidate to be the CEO of the Company.

### Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (“Model Code”) set out in the Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the period.

### Audit Committee

An audit committee is established by the Company to review and supervise the Group’s financial reporting process and internal controls. Members of the Audit Committee consists of the three independent non-executive directors, Mr. Tang Ho Sum, Mr. Yuen Kin and Mr. Liu Tsun Kie. The unaudited financial results for the period ended 31 October 2007 have been reviewed by the Audit Committee.

### Remuneration Committee

The members of the Remuneration Committee are Mr. Ko Chun Shun, Johnson (an Executive Director and a chairman of the Committee), Mr. Yuen Kin and Mr. Liu Tsun Kie (both Mr. Yuen and Mr. Liu are Independent Non-executive Directors)

### Directors

As at the date of this report, the Board of Directors of the Company comprises Mr. Ko Chun Shun, Johnson (Chairman and executive director), Mr. Wong Siu Kang (executive director). Messrs. Tang Ho Sum, Yuen Kin and Liu Tsun Kie (each of whom is an independent non-executive director).

By Order of the Board  
**Ko Chun Shun, Johnson**  
*Chairman*

Hong Kong, 18 January 2008