



德泰中華投資有限公司
SINO KATALYTICS INVESTMENT CORPORATION

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2324

Interim Report **2007**

CORPORATE INFORMATION

Board of Directors

Executive Directors

Chui Tak Keung, Duncan (*Chairman*)
Yau Chung Hong
Chow Ka Wo, Alex

Non-executive Director

Ma Kwok Keung, Kenneth

Independent Non-executive Directors

Lam Kwan
Chan Ming Sun, Jonathan
Shiu Siu Tao

Audit Committee

Lam Kwan
Chan Ming Sun, Jonathan
Shiu Siu Tao

Remuneration Committee

Lam Kwan
Chan Ming Sun, Jonathan
Shiu Siu Tao

Company Secretary

Chan Kwan Pak

Qualified Accountant

Yau Chung Hong

Authorised Representatives

Chui Tak Keung, Duncan
Chan Kwan Pak

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place Of Business In Hong Kong

Suite 802, 8/F, Harcourt House
39 Gloucester Road, Wanchai
Hong Kong

Hong Kong Share Registrar and Transfer Office

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Custodian

Standard Chartered Bank
15/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Investment Manager

Tripod Management Limited
901 Wilson House
19 Wyndham Street
Central
Hong Kong

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Legal Advisers To The Company

As to Hong Kong law
Chiu & Partners
41/F, Jardine House
1 Connaught Place, Central
Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman
Cayman Century Yard
Cricket Square, Hutchins Drive
George Town, Grand Cayman
British West Indies

Independent Auditor

SHINEWING (HK) CPA Limited
16/F, United Centre
95 Queensway
Hong Kong

Website

www.skic-group.com

Stock Code

02324

INTERIM FINANCIAL STATEMENTS

The board of directors (the "Board") of Sino Katalytics Investment Corporation (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2007 (the "Period"). The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007

| | | Six months ended 31 December | |
|--|---|---------------------------------|---------------------|
| | | 2007 | 2006 |
| | | (unaudited) HK\$ | (unaudited) HK\$ |
| Turnover | 2 | 13,765,270 | 1,986,633 |
| Increase/(decrease) in fair value of financial assets at fair value through profit or loss | | (3,501,378) | 6,347,055 |
| Other income | | 3,783,348 | 557,319 |
| Administrative expenses | | (10,054,612) | (3,232,224) |
| Finance costs | | (1,756,622) | (618,220) |
| Share of results of associates | 9 | 3,270,096 | 1,146,537 |
| Profit before tax | 4 | 5,506,102 | 6,187,100 |
| Income tax expenses | 5 | (601,928) | – |
| Profit for the Period attributable to equity holders of the Company | | 4,904,174 | 6,187,100 |
| Dividend | 6 | – | – |
| Earnings per share | 7 | | |
| – basic | | 0.0053 | 0.0113 |
| – diluted | | N/A | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2007

| | | 31 December 2007 | 30 June 2007 |
|--|-------|---------------------|-------------------|
| | | (Unaudited) HK\$ | (Audited) HK\$ |
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 8 | 4,133,108 | 2,205,307 |
| Interests in associates | 9 | 26,206,704 | 4,873,272 |
| Loans and receivables | | 32,220,000 | 20,220,000 |
| Available-for-sale investments | 10 | 50,243,500 | 29,893,500 |
| | | <u>112,803,312</u> | <u>57,192,079</u> |
| CURRENT ASSETS | | | |
| Available-for-sale investments | 10 | – | 26,553,336 |
| Financial assets at fair value through profit or loss | 11 | 29,460,504 | 20,756,120 |
| Prepayments, deposits and other receivables | | 34,883,274 | 26,044,871 |
| Amount due from an investee company | | 14,295,864 | 861,000 |
| Amount due from related company | | 10,800 | 589,800 |
| Amounts due from an associate | 9 | 25,498,510 | 12,698,510 |
| Bank balances and cash | | 11,489,571 | 8,304,319 |
| | | <u>115,638,523</u> | <u>95,807,956</u> |

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 31 December 2007

| | | 31 December 2007 | 30 June 2007 |
|--|-------|---------------------|--------------------|
| | Notes | (Unaudited) HK\$ | (Audited) HK\$ |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | | 17,836,443 | 6,604,065 |
| Amount due to directors | | 419,625 | 415,203 |
| Amounts due to related companies | | 1,381,817 | 4,503,275 |
| Tax payable | | 1,188,812 | 586,884 |
| Debentures | | 11,000,000 | 22,000,000 |
| Obligations under finance leases | | | |
| – due within one year | | 807,923 | 474,576 |
| | | <u>32,634,620</u> | <u>34,584,003</u> |
| Net current assets | | <u>83,003,903</u> | <u>61,223,953</u> |
| Total assets less current liabilities | | <u>195,807,215</u> | <u>118,416,032</u> |
| Capital and reserves | | | |
| Share capital | 12 | 10,273,454 | 6,043,636 |
| Reserves | | 184,045,999 | 111,258,438 |
| Total equity attributable to equity holders of the Company | | <u>194,319,453</u> | <u>117,302,074</u> |
| Non-current liabilities | | | |
| Obligations under finance leases | | | |
| – due after one year | | 1,487,762 | 1,113,958 |
| | | <u>195,807,215</u> | <u>118,416,032</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007

| | Share capital HK\$ | Share premium HK\$ | Investments Revaluation Reserve HK\$ | Accumulated losses HK\$ | Equity attributable to equity holders of the Company total HK\$ |
|--|--------------------------|--------------------------|---|-------------------------------|--|
| At 1 July 2007 (Audited) | 6,043,636 | 106,222,729 | 15,789,836 | (10,754,127) | 117,302,074 |
| Profit for the Period | - | - | - | 4,904,174 | 4,904,174 |
| Transfer to income statement on disposal of available for sale investments | - | - | (1,163,336) | - | (1,163,336) |
| Issue of ordinary shares | 4,229,818 | 71,906,909 | - | - | 76,136,727 |
| Share issue expenses | - | (2,860,186) | - | - | (2,860,186) |
| At 31 December 2007 (Unaudited) | <u>10,273,454</u> | <u>175,269,452</u> | <u>14,626,500</u> | <u>(5,849,953)</u> | <u>194,319,453</u> |
| At 1 July 2006 (Audited) | 1,146,409 | 89,612,428 | - | (11,744,592) | 79,014,245 |
| Profit for the period | - | - | - | 6,187,100 | 6,187,100 |
| Issue of ordinary shares | 229,000 | 8,931,000 | - | - | 9,160,000 |
| Bonus issue | 1,146,409 | (1,146,409) | - | - | - |
| Share issue expenses | - | (1,066,676) | - | - | (1,066,676) |
| At 31 December 2006 (Unaudited) | <u>2,521,818</u> | <u>96,330,343</u> | <u>-</u> | <u>(5,557,492)</u> | <u>93,294,669</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007

| | Six months ended 31 December | |
|--|---------------------------------|---------------------|
| | 2007 | 2006 |
| | (Unaudited) HK\$ | (Unaudited) HK\$ |
| NET CASH USED IN OPERATING ACTIVITIES | 3,565,533 | (16,207,891) |
| NET CASH USED IN INVESTING ACTIVITIES | (59,423,518) | (1,642,175) |
| NET CASH FROM FINANCING ACTIVITIES | 59,043,237 | 13,879,858 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,185,252 | (3,970,208) |
| CASH AND CASH EQUIVALENTS AT 1 JULY | 8,304,319 | 5,116,343 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | | |
| represented by: | | |
| Bank balances and cash | 11,489,571 | 1,146,135 |

NOTES TO INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2007

1. Basis of preparation and significant accounting policies

The Interim Financial Statements of the Group for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values. The principal accounting policies used in the preparation of the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements for the year ended 30 June 2007.

During the Period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by HKICPA (hereinafter referred to as the "new HKFRSs"), which are effective for the Group's accounting period beginning 1 July 2007. The adoption of the new HKFRSs had no material impact on the Interim Financial Statements of the Group for the current or prior accounting periods.

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

| | |
|-------------------|--|
| HKAS 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC)-Int 12 | Service Concession Arrangements ² |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes ³ |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction ² |

¹ Effective for financial period commencing on or after 1 January 2009

² Effective for financial period commencing on or after 1 January 2008

³ Effective for financial period commencing on or after 1 July 2008

The Group is still considering the potential impact of these new HKFRSs but is not yet in a position to determine whether the adoption of these new HKFRSs would have a significant impact on its results of operations and financial position.

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

2. Turnover

Turnover represents the amounts received and receivable on investments as follows:

| | Six months ended 31 December | |
|--|---------------------------------|---------------------|
| | 2007 | 2006 |
| | (unaudited) HK\$ | (unaudited) HK\$ |
| Turnover | | |
| Dividend income from investments in listed securities | 66,538 | 262,620 |
| Interest income | 130,933 | 381,210 |
| Net gain on disposal of financial assets | 13,567,799 | 1,342,803 |
| | <u>13,765,270</u> | <u>1,986,633</u> |

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

3. Segment Information

The Group is principally engaged in investing in listed and unlisted companies. Accordingly, no further analysis by business segment is provided. In determining the Group's geographical segments, turnover, expenditure, assets and liabilities are attributed to the segments based on the location of the assets.

Geographical segments

An analysis of the Group's revenue and contribution to operating results and segment assets and liabilities by geographical segments, is presented below:

Consolidated Income Statement

For six months ended 31 December 2007

| | Hong Kong | | The PRC | | Consolidated | |
|---|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | Six months ended 31 December | | Six months ended 31 December | | Six months ended 31 December | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | (unaudited) HK\$ | (unaudited) HK\$ | (unaudited) HK\$ | (unaudited) HK\$ | (unaudited) HK\$ | (unaudited) HK\$ |
| SEGMENT REVENUE: | 13,765,270 | 1,986,633 | – | – | 13,765,270 | 1,986,633 |
| Increase in fair value of financial assets at fair value through profit or loss | (3,501,378) | 6,347,055 | – | – | (3,501,378) | 6,347,055 |
| | <u>10,263,892</u> | <u>8,333,688</u> | <u>–</u> | <u>–</u> | <u>10,263,892</u> | <u>8,333,688</u> |
| SEGMENT RESULTS | <u>2,519,292</u> | <u>5,358,783</u> | <u>1,673,336</u> | <u>500,000</u> | <u>4,192,628</u> | <u>5,858,783</u> |
| Unallocated corporated expenses | | | | | (200,000) | (200,000) |
| Finance costs | | | | | (1,756,622) | (618,220) |
| Share of results of associates | | | | | 3,270,096 | 1,146,537 |
| Profit before tax | | | | | 5,506,102 | 6,187,100 |
| Income tax expenses | | | | | (601,928) | – |
| Profit for the Period | | | | | <u>4,904,174</u> | <u>6,187,100</u> |

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

3. Segment Information (Continued)**Consolidated balance sheet**

At 31 December 2007

| | Hong Kong | | The PRC | | Consolidated | |
|--|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| | 31.12.2007 | 30.06.2007 | 31.12.2007 | 30.06.2007 | 31.12.2007 | 30.06.2007 |
| | (unaudited) | (audited) | (unaudited) | (audited) | (unaudited) | (audited) |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Segment assets | 153,045,767 | 97,175,228 | 49,189,364 | 50,951,535 | 202,235,131 | 148,126,763 |
| Interests in associates | 8,143,368 | 4,873,272 | 18,063,336 | - | 26,206,704 | 4,873,272 |
| Total assets | 161,189,135 | 102,048,500 | 67,252,700 | 50,951,535 | 228,441,835 | 153,000,035 |
| Total liabilities | 34,122,382 | 35,697,961 | - | - | 34,122,382 | 35,697,961 |
| Other segment information: For six months ended 31 December 2007 | | | | | | |
| Capital expenditure | 3,090,181 | 1,642,175 | - | - | 3,090,181 | 1,642,175 |
| Depreciation | 571,901 | 378,753 | - | - | 571,901 | 378,753 |
| Loss on disposal of plant and equipment | | | | | 256,315 | - |
| Gain on disposal of a subsidiary | | | | | (1,163,336) | (500,000) |

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

4. Profit Before Tax

| | Six months ended 31 December | |
|--|---------------------------------|-----------------------------|
| | 2007 | 2006 |
| | (unaudited) HK\$ | (unaudited) HK\$ |
| The Group's profit before tax has been arrived at after charging (crediting): | | |
| Total staff costs (including directors' remuneration) | 5,354,966 | 620,350 |
| Depreciation on plant and equipment | 571,901 | 378,753 |
| Operating lease charges on rented premises | 553,144 | 281,268 |
| Gain on disposal of a subsidiary | (1,163,336) | (500,000) |
| Gain on disposal of available for sale investments | (1,010,000) | – |
| Interest on borrowings | 1,756,622 | 618,220 |
| Donation | 38,000 | – |
| | <u> </u> | <u> </u> |

5. Income Tax Expenses

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the Period (2006: no provision for Hong Kong profits tax had been made as the Group had sufficient tax losses brought forward from previous years to offset against the assessable profits for that period).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

At the balance sheet date, the Group has unused tax losses available to set off against future profits. No deferred tax asset in respect of tax losses has been recognized in the Interim Financial Statements of the Group due to the unpredictability of future profits streams. The tax losses, subject to the agreement with the Hong Kong Inland Revenue Department, will be carried forward indefinitely.

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

6. Dividend

The directors do not recommend the payment of an interim dividend for the Period (2006: Nil)

7. Earnings Per Share

The calculations of basic earnings per share are based on the Group's profit attributable to the equity holders of the Company for the Period of HK\$4,904,174 (2006: HK\$6,187,100).

The basic earnings per share is based on the weighted average number of 933,441,106 (2006: 548,988,093) ordinary shares in issue for the Period.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 31 December 2006 has been retrospectively adjusted for the effect of the bonus issue completed in the year ended 30 June 2007.

There was no dilution effect on the basic earnings per share for the six months ended 31 December 2007 and 2006 as there were no dilutive shares outstanding during the six months ended 31 December 2007 and 2006.

8. Plant and Equipment

During the Period, the Group acquired plant and equipment for an amount of approximately HK\$3,090,000 (2006: HK\$1,642,000). The carrying amount of assets held under finance leases of the Group as at 31 December 2007 amounted to approximately HK\$2,572,000 (2006: HK\$2,070,000).

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

9. Interests in Associates

| | 31 December 2007 | 30 June 2007 |
|---|---------------------|-------------------|
| | (Unaudited) HK\$ | (Audited) HK\$ |
| Cost of investment in unlisted associates | 22,577,256 | 4,513,920 |
| Share of post-acquisition profit | 3,643,368 | 373,272 |
| Impairment loss recognised | (13,920) | (13,920) |
| | <u>26,206,704</u> | <u>4,873,272</u> |
| Amounts due from associates, less allowance | <u>25,498,510</u> | <u>12,698,510</u> |

The amounts due from associates were unsecured, interest-free and repayable on demand.

As at 31 December 2007, the Group has interests in the following associates :

| Name of associate | Form of business structure | Class of shares held | Place of incorporation and operations | Nominal value of issued share capital | Percentage of equity attributable to the Group | Principal activities |
|---------------------------------|----------------------------|----------------------|---------------------------------------|---------------------------------------|--|---|
| CNI Bullion Limited | Incorporated | Ordinary share | Hong Kong | HK\$15,000,000 | 30% | Provision of services on trading of gold in Hong Kong gold market |
| King Alliance Resources Limited | Incorporated | Ordinary share | British Virgin Islands | US\$10 | 30% | Investment holding for TMT products and services in the PRC |

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

10. Available-for-sale Investments

| | 31 December 2007 | 30 June 2007 |
|---|---------------------|-------------------|
| | (Unaudited) HK\$ | (Audited) HK\$ |
| Unlisted equity securities, at fair value | | |
| in Hong Kong | 350,000 | 6,000,000 |
| outside Hong Kong | 49,893,500 | 50,446,836 |
| | <u>50,243,500</u> | <u>56,446,836</u> |
| Analyzed for reporting purposes as: | | |
| Current | — | 26,553,336 |
| Non-current | 50,243,500 | 29,893,500 |
| | <u>50,243,500</u> | <u>56,446,836</u> |

The unlisted equity securities represent investments in private entities.

11. Financial Assets at Fair Value through Profit or Loss

| | 31 December 2007 | 30 June 2007 |
|--|---------------------|-------------------|
| | (Unaudited) HK\$ | (Audited) HK\$ |
| Listed equity securities held for trading, at fair value | <u>29,460,504</u> | <u>20,756,120</u> |

The fair value of the Group's equity investments at fair value through profit or loss was determined based on the quoted market bid prices available on the relevant exchanges.

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

12. Share Capital

| | Number of shares | Amount HK\$ |
|---------------------------------------|-----------------------|--------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised : | | |
| At 1 July and 31 December 2007 | 1,500,000,000 | 15,000,000 |
| Increased during the Period (Note a) | 8,500,000,000 | 85,000,000 |
| | <u>10,000,000,000</u> | <u>100,000,000</u> |
| At 31 December 2007 | <u>10,000,000,000</u> | <u>100,000,000</u> |
| Issued and fully paid : | | |
| At 1 July 2007 | 604,363,636 | 6,043,636 |
| Rights Issue (Note b) | 302,181,818 | 3,021,818 |
| Issue of shares by placement (Note c) | 120,800,000 | 1,208,000 |
| | <u>1,027,354,454</u> | <u>10,273,454</u> |
| At 31 December 2007 | <u>1,027,354,454</u> | <u>10,273,454</u> |

Notes:

- (a) At the annual general meeting held on 19 December 2007, the authorised share capital of the Company was increased from HK\$15,000,000 comprising 1,500,000,000 shares of HK\$0.01 ("Shares") each to HK\$100,000,000 comprising 10,000,000,000 Shares by the creation of additional 8,500,000,000 Shares.
- (b) 302,181,818 Shares were issued and allotted at HK\$0.17 per share on 23 July 2007 as fully paid by way of rights issue on the basis of one rights share for every two existing shares as at 3 July 2007.
- (c) On 27 September 2007, 120,800,000 Shares were issued and allotted at HK\$0.18 per Share under a placing agreement dated 23 August 2004 to not less than six placees, being individuals, institutional or other professional investors unconnected to the Company.

All the new Shares issued rank *pari passu* in all respects with the then existing Shares.

13. Disposal of a Subsidiary

During the Period, the Group disposed of its entire interests in a subsidiary at a profit. The subsidiary disposed during the Period has no significant impact on the turnover and results of the Group.

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

14. Related Party and Connected Transactions

- (a) During the Period, significant transactions with related parties and connected parties are as follows:

| | | Six months ended | |
|-------|--|-------------------------|-------------|
| | | 31 December | |
| | | 2007 | 2006 |
| | | (Unaudited) | (Unaudited) |
| | | HK\$ | HK\$ |
| Notes | | | |
| | Coqueen Company Limited ("Coqueen") | | |
| (i) | Interest paid | 32,938 | 24,197 |
| | Fook Lam Moon (Kowloon) Restaurant Limited ("Fook Lam Moon (Kowloon)") | | |
| (ii) | Interest paid | – | 83,178 |
| | Guotai Junan Assets (Asia) Limited | | |
| (iv) | Investment management fee paid | – | 300,000 |
| | Standard Chartered Bank | | |
| (v) | Custodian fee paid | 19,476 | 38,874 |
| | Quidam Assets Limited ("Quidam") | | |
| (ix) | Interest income | 408,800 | – |
| | Tripod Management Limited | | |
| (x) | Investment management fee | 323,004 | – |
| | CNI Financial Holdings Limited | | |
| (vii) | Sale of a motor vehicle | 316,664 | – |

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

14. Related Party and Connected Transactions (Continued)

(b) Period end balance with related parties and connected parties:

| | | As at | |
|-------|---|--------------|--------------|
| | | 31 Dec 2007 | 30 June 2007 |
| | | (Unaudited) | (Audited) |
| | | HK\$ | HK\$ |
| Notes | | | |
| | Coqueen Company Limited ("Coqueen") | | |
| (i) | Loan due to | 640,000 | 640,000 |
| | Interest payable to | 459,616 | 426,678 |
| | Fook Lam Moon (Kowloon) Restaurant Limited ("Fook Lam Moon (Kowloon)") | | |
| (ii) | Loan advance from | – | 3,000,000 |
| | Interest payable to | – | 105,237 |
| | Amount due to | – | 19,160 |
| (iii) | Chiu & Partners Amount due to | 282,200 | 282,200 |
| (vi) | Mr. Chui Tak Keung, Ducan, an executive director of the Company ("Mr. Chui") Amount due to | 38,267 | 53,845 |
| (vi) | Mr. Yau Chung Hong, an executive director of the Company ("Mr. Yau") Amount due to | 381,355 | 361,358 |

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

14. Related Party and Connected Transactions (Continued)

(b) Period end balance with related parties and connected parties: (Continued)

| | | As at | |
|-------|---|--------------|--------------|
| | | 31 Dec 2007 | 30 June 2007 |
| | | (Unaudited) | (Audited) |
| | | HK\$ | HK\$ |
| Notes | | | |
| | CNI Securities Limited (vii) | | |
| | Amount due from | 9,700 | 9,700 |
| | CNI Financial Holdings Limited (vii) | | |
| | Amount due from | 1,100 | 100 |
| | CNI Assets Management Limited (vii) | | |
| | Amount due from | – | 580,000 |
| | Four Gold OG Limited (“Four Gold”) (viii) | | |
| | Amount due from | – | 70,000 |
| | Quidam (ix) | | |
| | Amount due from | 14,295,864 | 74,535 |
| | Loan due from | 10,200,000 | 10,220,000 |
| | Interest receivable | 408,800 | 716,466 |
| | Tripod Management Limited (x) | | |
| | Amount due to | 203,004 | 30,000 |

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

14. Related Party and Connected Transactions (Continued)

Notes :

- (i) Mr. Chui and / or his associates have beneficial interests in Coqueen. The loan granted to the Group by Coqueen is unsecured, repayable within one year and bore interest at Hong Kong Prime Rate + 2.5% (2006: Hong Kong Prime Rate +2%) per annum. In the opinion of the directors of the Company, the loan advanced at 31 December 2007 was approximate to the corresponding carrying amount.
- (ii) Mr. Chui and / or his associates have beneficial interests in Fook Lam Moon (Kowloon). The loan granted to the Group by Fook Lam Moon (Kowloon) is unsecured, repayable within one year and bore interest at approximately 5.5% (2006: 5.5%) per annum.
- (iii) Mr. Ma Kwok Keung, Kenneth, non-executive director of the Company, has beneficial interests in Chiu & Partners. The amount due to Chiu & Partner is unsecured, interest-free and repayable on demand.
- (iv) Pursuant to an investment management agreement dated 10 May 2004 (the "Investment Management Agreement") entered into between the Company and Guotai Junan Assets (Asia) Limited (the "Investment Manager"), the Investment Manager agreed to provide the Company with investment management services (excluding general administrative services) for a period of two years commencing on 1 June 2004.

Under the Investment Management Agreement, the Investment Manager is entitled to a fixed investment management fee of HK\$600,000 per annum or management fee equivalent to 1.25% per annum of the net asset value as at the immediately preceding valuation day payable monthly in Hong Kong dollars in advance on the basis of the actual number of days in the relevant calendar months over a year of 365 days. The Investment Management Agreement had been terminated by the Investment Manager in writing with effect from 16 May 2007.

The amount due to the Investment Manager was unsecured, interest-free and repayable on demand.

- (v) Pursuant to a custodian agreement dated 6 October 2003 entered into between the Company and Standard Chartered Bank (the "Custodian"), the Custodian agreed to provide securities custodian services to the Company including the safe custody of the Company's securities and the settlement of the securities of the Company, the collection of dividends and other entitlements on behalf of the Company. The appointment of the Custodian commenced on the date of the commencement of trading of the Company's shares on the Stock Exchange.
- (vi) The amount is unsecured, interest-free and repayable on demand.

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

14. Related Party and Connected Transactions (Continued)

Notes : (Continued)

- (vii) Mr. Yau had beneficial interests in these companies. The amounts are unsecured, interest-free and repayable on demand.
- (viii) Mr. Chui has financial interest in Four Gold. The Group had disposed the interest in Four Gold during the Period. The amount due from Four Gold is unsecured, interest free and repayable on demand.
- (ix) The Group had equity interest in Quidam at 31 December 2007. The amount due from Quidam is unsecured, interest-free and repayable on demand. The term loan is unsecured, bears interest at 8% per annum for the period from 1 May 2007 to 30 April 2008 and 12% per annum for the period from 1 May 2008 to 31 December 2008.
- (x) Pursuant to an investment management agreement dated 17 May 2007 entered into between the Company and Tripod Management Limited ("Tripod"), Tripod agreed to provide the Company with investment management services (excluding general administrative services) commencing on 17 May 2007. The amounts are unsecured, interest-free and repayable on demand.

NOTES TO INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2007

15. Operating Lease Commitments*The Group as lessee*

The Group leases certain of its offices, directors quarters and office equipment under operating lease arrangements. Leases are negotiated for a term ranging from one to three years.

As at 31 December 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows :

| | 31 Dec 2007 | 30 June 2006 |
|---|---------------------|-------------------|
| | (Unaudited) HK\$ | (audited) HK\$ |
| Within one year | 1,589,376 | 161,986 |
| In the second to fifth years, inclusive | 1,059,584 | – |
| | <u>2,648,960</u> | <u>161,986</u> |

16. Post Balance Sheet Event

In February 2008, 200,500,000 Shares were issued and allotted at a price of HK\$0.07 per Share under a placing agreement dated 28 January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the Period, the Group recorded a turnover of HK\$13,765,270 and profit attributable to equity holders of the Group of HK\$4,904,174, representing an increase of 5.9 times and a decrease of 20.7% respectively.

The net asset value ("NAV") per share of the Group was HK\$0.1891 as at 31 December 2007. This represents a decrease of 2.6% from the NAV per share of HK\$0.1941 as at 30 June 2007.

Business Review and Prospect

During the Period, the Group continued to identify and invest in quality projects in the Telecommunications/Media/Technology ("TMT") and financial services sectors. In order to capture potential investment opportunities, the Group issued 302,181,818 Shares in a right issue exercise in July 2007 and raised approximately HK\$52.4 million. The Group also issued a total of 120,800,000 Shares by way of placing and received overwhelming responses from the market, successfully raised approximately HK\$21.2 million.

According to the China Quarterly Venture Capital Report released on 20 February 2008 by Dow Jones VentureSource, venture capitalists invested USD2.49 billion across 241 deals in China in 2007. The amount invested was the highest since 2001.

Capitalising on the rising investment opportunities and combining with our management team of investment professionals and astute businessmen that possesses operations experience in China market and backed up by successful track record in sourcing, managing, and profiting from pioneer and/or proprietary deals in China, the Group works closely with our portfolio companies to ensure them perform to their full potential.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review and Prospect (Continued)

In addition to the solid foundation in TMT and financial services sectors, the Group is also expanding its horizon to other potential business areas, such as natural resources and environment-friendly technologies, to develop an investment portfolio with attractive returns and to diversify the portfolio of the Group to cover sectors which maybe more attractive to investors who are looking for consistent and recurring operating income.

Last but not least, the Group also managed to dispose of some of the projects which were not performing as well as we initially expected, so that the Group may recover its investment costs and re-deploy both the management as well as capital resources to other areas with better and more certain prospects.

Following is a summary of various projects which the Group is holding as at the date of this report.

Investment Portfolio

CNI Bullion Limited ("CNI Bullion")

The Group owns a 30% interest in CNI Bullion. CNI Bullion is a member of the Chinese Gold and Silver Exchange Society and was formed in March 2005 by a group of experienced bullion practitioners. CNI Bullion's services include the trading of London Gold, local Hong Kong Gold and London Silver; providing the latest news of major financial markets; and also other ancillary value-added services including price alerts through instant mobile phone messaging.

Quidam Assets Limited ("Quidam")

The Group owns approximately 16.79% interest in Quidam. Quidam's subsidiary, Orbrich (China) International Factors Company Limited ("OIF"), is currently the only wholly foreign-owned financial guaranty and factoring Company in China. OIF is licensed by the Tianjin Government and the PRC Ministry of Commerce to provide factoring services that include financing, sales ledger administration and debt collection. It serves companies all over China through its four factoring hubs located in Tianjin, Shanghai, Chongqing and Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Investment Portfolio (Continued)

Win Wide Management Limited (“Win Wide”)

The Group holds a convertible note issued by Win Wide. Win Wide is a startup formed by the Group along with two former members of a well respected software development company based out of Singapore, whose expertise was the development and operations of quantitative futures trading models. The track record of the co-founders was a proprietary trading model which was sold to a leading hedge fund with an AUM of over US\$70 billion 6 years ago and which is still operational today. Through its newly set up subsidiary, QF Alpha Research Limited, Win Wide will develop a quantitative back-testing and real time execution and distribution platform that identifies, tests and implements superior trading strategies while measuring and controlling risk in the process. In 12 to 18 months time, the Group expects Win Wide to be managing in excess of US\$20 million using the proprietary models it developed and implemented.

King Alliance Resources Limited (“KAL”)

The Group owns 30% equity interest in KAL, which is a 51% beneficiary owner of an exclusive mobile lottery operator in northern China. In addition to the popular and rapidly growing mobile lottery operation, KAL's subsidiary is also developing other value added services and content for their mobile service subscribers, such as stock picking services, social networking, and streaming media content. The consistently increasing user base and consumption of mobile services in China is a market which the Group is keen to participate in, and KAL represents one of the first projects of a new generation of technology investments we will make in future, along with other companies with exclusive operating status or reputable market positions.

Easymade Group Limited (“Easymade”)

Easymade was founded as an investment holding company by a team of experienced professionals in environmental technology and management. By partnering with Easymade, the Group is taking its first step to build up the management and investment expertise in the areas of environmental friendly technologies and operations, such as low-pollution paper and pulp manufacturing and agricultural fertilizers for the China markets.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Investment Portfolio (Continued)

Uxtensa New Media Group ("Uxtensa")

The Group led a direct investment into Uxtensa in the first quarter of 2008. The founders of Uxtensa secured an exclusive operation rights from the state-owned CCTV.com to operate and manage its online travel channel (www.u.cctv.com), providing users with a superior multimedia platform to view travel content and to acquire travel services online. The services provided by the platform included information broadcast and distribution, online travel services fulfillment, industry research, advertising operations and business travel information for global consumers.

Investments in Securities

The Group continued to pursue our strategy of investing part of its resources in listed securities as a risk diversification tool and to provide liquidity as needed. Our allocation of financial resources in the listed equities markets enabled the Group to capture the growth in listed equities.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group continued to maintain a healthy balance sheet. As at 31 December 2007, the Group had bank balances of approximately HK\$11,500,000 (30 June 2007: HK\$8,300,000) which accounted for 9.94% (30 June 2007: 8.67%) of the Company's total current assets. The Board believes that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

As at 31 December 2007, the Group's gearing ratio was 14.94% (30 June 2007: 23.33%), which is calculated on the Group's total liabilities divided by its total assets. The Group had no material capital commitment and contingent liabilities as at 31 December 2007.

FOREIGN CURRENCY EXPOSURE

The Company's investments may be denominated in currencies other than Hong Kong dollar, and thus is exposed to fluctuation of the exchange rate. It is expected that a portion of the distributions and payments to the Company from the invested companies will be denominated in Renminbi. However, the Board believes that foreign exchange risks are minimal as Renminbi is relatively stable against Hong Kong dollar and the Company mainly uses Hong Kong dollar to carry out its business.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the Period, the Group entered into a sale and purchase agreement with an independent third party in relation to dispose of the entire issued share capital of a subsidiary of the Company, plus a cash consideration of HK\$5,000,000, in exchange for 30% interest in the issued share capital of King Alliance Resources Limited.

There were no other significant acquisition and disposal of subsidiaries.

EMPLOYEES

As at 31 December 2007, the Company had 6 employees, excluding directors. The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

CAPITAL STRUCTURE

At the annual general meeting held on 19 December 2007, the authorised share capital of the Company was increased from HK\$15,000,000 comprising 1,500,000,000 shares of HK\$0.01 each ("Share") to HK\$100,000,000 comprising 10,000,000,000 Shares by the creation of additional 8,500,000,000 Shares.

CAPITAL STRUCTURE (Continued)

The Company issued 302,181,818 Shares on 23 July 2007 in a rights issue exercise at HK\$0.18 each on the basis of one rights Share for every two existing Shares as at 3 July 2007, enlarging the total number of Shares issued and traded on the Stock Exchange to 906,545,454. On 27 September 2007, 120,800,000 new Shares were placed at a price of HK\$0.18 per share by virtue of a subscription agreement signed on 23 August 2007 between the Company and a placing agent. The total number of Shares issued as at 31 December 2007 was 1,027,345,454.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31 December 2007, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions"), were as follows:

| Name | Number of ordinary shares held | Shareholding percentage |
|-----------------------------------|-----------------------------------|----------------------------|
| Mr. Chui Tak Keung, Duncan (Note) | 91,800,000 | 8.94% |
| Mr. Chow Ka Wo, Alex | 1,200,000 | 0.12% |

Note: Mr. Chui Tak Keung, Duncan, chairman of the Board, was deemed to be interested in 91,800,000 shares by virtue of his shareholding in FLM Investment Limited.

Save as disclosed above, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position as at 31 December 2007.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the parties which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

| Name | Number of ordinary shares held | Shareholding percentage |
|-------------------------------|--------------------------------|-------------------------|
| FLM Investment Limited (Note) | 91,800,000 | 8.94% |

Note: Mr. Chui Tak Keung, Duncan, chairman of the Board, was deemed to be interested in 91,800,000 shares by virtue of his shareholding in FLM Investment Limited.

Save as disclosed above, as at 31 December 2007, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the then shareholders of the Company on 30 September 2003, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, the Directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive directors (including independent non-executive directors), any supplier of goods or services, any customer and any person or entity that provides research, development or other technological support to the Company to take up options to subscribe for shares in the Company representing up to a maximum of 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval.

Up to the date hereof, no share options have been granted pursuant to the Scheme.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Chan Ming Sun, Jonathan holds a position as an investment manager of Go-To-Asia Investment Limited. The business of Go-To-Asia Investment Limited is deemed to constitute a competing business to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has repurchased, redeemed or sold any of the Company's listed securities during the six months ended 31 December 2007.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Mr. Lam Kwan, Mr. Chan Ming Sun, Jonathan and Mr. Shiu Siu Tao with written terms of reference in compliance. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the Period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

CODE OF CORPORATE GOVERNANCE PRACTICE

During the Period, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the “CGP Code”) contained in Appendix 14 to the Listing Rules, except the deviations from the Code as described below:

The existing Articles governing the retirement of Directors deviate from the CGP Code provisions in the following aspects: (i) unlike the other Directors, the Chairman and/or Managing Director is not subject to retirement by rotation; (ii) new Directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments; and (iii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years. The Board will review the above-mentioned practice from time to time and consider amending the Articles when necessary.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company has appointed its Chairman of the Board but not Chief Executive, and decisions are made collectively by the Executive Directors under the leadership of the Chairman. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently all Independent Non-executive Directors have no specific term of appointment but they are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

On behalf of the Board
Chui Tak Keung, Duncan
Chairman

Hong Kong, 27 March 2008