

FINTRONICS HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 706

FinTronics
银创控股

Interim Report **2008**

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Consolidated Income Statement

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June					
		2008		Total (Unaudited) \$'000	2007		Total (Unaudited) \$'000
		Continued operations (Unaudited) \$'000	Discontinued operations (Unaudited) \$'000		Continued operations (Unaudited) \$'000	Discontinued operations (Unaudited) \$'000	
Turnover	2	6,778	–	6,778	38,258	6,000	44,258
Cost of sales		(1,397)	–	(1,397)	(35,147)	(4,802)	(39,949)
Gross profit		5,381	–	5,381	3,111	1,198	4,309
Other revenue		9,015	–	9,015	4,942	147	5,089
Selling and distribution expenses		–	–	–	–	(1,621)	(1,621)
Administrative expenses		(31,348)	–	(31,348)	(25,491)	(2,459)	(27,950)
Other operating expenses		(1,822)	–	(1,822)	–	(501)	(501)
Loss from operations		(18,774)	–	(18,774)	(17,438)	(3,236)	(20,674)
Loss on disposal of subsidiaries		–	–	–	(8,327)	–	(8,327)
Finance costs		(892)	–	(892)	(1,023)	(234)	(1,257)
Loss before tax		(19,666)	–	(19,666)	(26,788)	(3,470)	(30,258)
Income tax credit	3	424	–	424	–	–	–
Loss for the period	4	(19,242)	–	(19,242)	(26,788)	(3,470)	(30,258)
Attributable to:							
Equity holders of the Company		(19,242)	–	(19,242)	(26,788)	(3,015)	(29,803)
Minority interests		–	–	–	–	(455)	(455)
		(19,242)	–	(19,242)	(26,788)	(3,470)	(30,258)
Loss per share	6						
Basic (cents)		(1.05)	–	(1.05)	(1.90)	(0.21)	(2.11)
Diluted (cents)		N/A	–	N/A	N/A	N/A	N/A

The notes on pages 7 to 13 form part of this interim financial report.

Consolidated Balance Sheet

As at 30 June 2008
(Expressed in Hong Kong dollars)

	Note	At 30 June 2008 (Unaudited) \$'000	At 31 December 2007 (audited) \$'000
Non-current assets			
Fixed assets			
– Investment properties		–	2,700
– Property, plant and equipment		74,568	70,633
– Prepaid land lease payments		4,328	2,158
		78,896	75,491
Goodwill		52,082	48,928
Intangible assets		40,665	40,614
Available-for-sale investments	7	1,881	–
Pledged deposits		5,000	29,646
		178,524	194,679
Current assets			
Trade and other receivables	8	22,055	57,154
Bank and cash balances		259,119	229,534
		281,174	286,688
Current liabilities			
Trade and other payables	9	6,593	14,337
Finance lease payables		367	536
Derivative component of convertible loan		19,966	19,966
		26,926	34,839
Net current assets			
		254,248	251,849
Total assets less current liabilities			
		432,772	446,528
Non-current liabilities			
Convertible loan		36,547	41,539
Finance lease payables		–	93
Deferred tax liabilities		7,677	7,645
		44,224	49,277
NET ASSETS			
		388,548	397,251
Capital and reserves			
Share capital		184,128	184,128
Reserves		204,420	213,123
TOTAL EQUITY			
		388,548	397,251

The notes on pages 7 to 13 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

	Unaudited											
	Attributable to equity holders of the company											
	Share capital	Share premium	General reserve	Translation reserve	Buildings revaluation reserve	Investments revaluation	Warrants reserve	Share options reserve	Accumulated losses	Total	Minority interests	Total equity
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2007	136,778	266,970	6,462	13,339	68	-	2,662	4,513	(225,629)	207,163	7,223	214,386
Exercise of share options	4,556	1,430	-	-	-	-	-	-	-	5,986	-	5,986
Exercise of warrants	2,963	4,739	-	-	-	-	-	-	-	7,702	-	7,702
Release of reserve to share premium	-	2,568	-	-	-	-	(425)	(2,143)	-	-	-	-
Subscription of shares	26,466	141,180	-	-	-	-	-	-	-	167,666	-	167,666
Disposal of subsidiaries	-	-	14,063	(2,794)	-	-	-	-	-	11,269	(7,223)	4,046
Injection of share capital	-	-	-	(379)	-	-	-	-	-	(379)	-	(379)
Loss for the period	-	-	-	-	-	-	-	-	(29,803)	(29,803)	-	(29,803)
At 30 June 2007	170,783	418,887	20,525	10,166	68	-	2,237	2,370	(255,432)	369,604	-	369,604
At 1 January 2008	184,128	440,649	-	15,152	68	-	592	1,973	(245,311)	397,251	-	397,251
Surplus on revaluation of property	-	-	-	-	142	-	-	-	-	142	-	142
Gain on fair value changes of available-for-sale investments	-	-	-	-	-	12	-	-	-	12	-	12
Exchange difference or translation of financial statements of subsidiaries outside Hong Kong	-	-	-	10,385	-	-	-	-	-	10,385	-	10,385
Loss for the period	-	-	-	-	-	-	-	-	(19,242)	(19,242)	-	(19,242)
At 30 June 2008	184,128	440,649	-	25,537	210	12	592	1,973	(264,553)	388,548	-	388,548

The notes on pages 7 to 13 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

Notes:

(I) SHARE PREMIUM

Under the Bermuda Companies Act 1981 (as amended), the funds in the share premium account are distributable in the form of fully paid bonus shares.

(II) GENERAL RESERVE

According to the relevant rules and regulations in the PRC, the Group's subsidiaries in the PRC should appropriate part of their profits after tax to general reserve, which can be used to make good losses and to convert into paid-up capital.

(III) TRANSLATION RESERVE

Translation reserve represents exchange differences arising from the translation of the financial statements of subsidiaries and associates operating outside Hong Kong.

(IV) WARRANTS RESERVE

Warrants reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon the exercise of the warrants.

(V) BUILDINGS REVALUATION RESERVE

The buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for revaluation of buildings held for own use.

(VI) SHARE OPTIONS RESERVE

Share option reserve represents the fair value of the outstanding share options granted to executive directors, employees, non-executive directors, any suppliers and customers of the Company and any of its subsidiaries and any invested entity recognised in accordance with the accounting policy adopted for share based payments.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

	Six months ended	
	30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Net cash generated from/(used in) operating activities	40,970	(39,508)
Net cash used in investing activities	(5,465)	(11,355)
Net cash (used in)/generated from financing activities	(6,146)	238,514
Net increase in cash and cash equivalents	29,359	187,651
Effect of foreign exchange rates changes	226	253
Cash and cash equivalents at 1 January	229,534	95,991
Cash and cash equivalents at 30 June	259,119	283,895

The notes on pages 7 to 13 form part of this interim financial report.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("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 unaudited consolidated interim financial statements have been prepared on the historical cost basis except for properties and derivatives, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies adopted in the unaudited consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

The HKICPA has issued the following new interpretations which are effective for accounting periods beginning on or after 1 January 2008.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

As the Group currently has no such arrangements and defined benefit scheme, these interpretations have had no financial impact on the Group.

The Group has not early applied any 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 standards, amendments or interpretations will have no material impact on the results or the financial position of the Group.

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

2 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary segment reporting format because this is more relevant to the Group's internal financial reporting.

(a) Primary reporting format – business segments

The Group comprises the following main business segments:

Software development and systems integration services:	Development of application software and provision of systems integration services for specific industries.
Sale of integrated circuits and computer software:	Trading of integrated circuits and computer software.
Automatic teller machines services:	Provision of "automatic teller machines" services.

	Continuing operations				Discontinued operations			
	Sale of integrated circuits and computer software		Automatic teller machines services		Software development and systems integration services		Consolidated	
	2008 (Unaudited) \$'000	2007 (Unaudited) \$'000	2008 (Unaudited) \$'000	2007 (Unaudited) \$'000	2008 (Unaudited) \$'000	2007 (Unaudited) \$'000	2008 (Unaudited) \$'000	2007 (Unaudited) \$'000
For the six months ended 30 June								
Revenue from external customers	1,410	35,443	5,368	2,815	-	6,000	6,778	44,258
Other revenue from external customers	-	204	-	298	-	147	-	649
Total	1,410	35,647	5,368	3,113	-	6,147	6,778	44,907
Segment results	5,893	302	(11,271)	(5,862)	-	(3,236)	(5,378)	(8,796)
Unallocated operating income and expenses	-	-	-	-	-	-	(13,396)	(11,878)
Loss from operations	-	-	-	-	-	-	(18,774)	(20,674)
Loss on disposal of subsidiaries	-	-	-	-	-	-	-	(8,327)
Finance costs	-	-	-	-	-	-	(892)	(1,257)
Income tax credit	-	-	-	-	-	-	424	-
Minority interests	-	-	-	-	-	-	-	455
Loss attributable to equity holders							(19,242)	(29,803)

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

2 SEGMENTAL INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments

The Group's principal markets are located in two main geographical areas:

- The PRC – Software development and systems integration services
- Automatic teller machines services
- Hong Kong – Sale of integrated circuits and computer software

	Continuing operations						Discontinued operations		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	PRC	PRC	Hong Kong	Hong Kong	Total	Total	PRC	PRC		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from										
external customers	5,368	2,815	1,410	35,443	6,778	38,258	-	6,000	-	44,258
Other revenue from										
external customers	-	298	-	204	-	502	-	147	-	649
Total	5,368	3,113	1,410	35,647	6,778	38,760	-	6,147	-	44,907

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

3 INCOME TAX CREDIT

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax – PRC		
Tax for the period	-	-
Deferred taxation		
Origination and reversal of temporary differences	424	-
	424	-

No provision for Hong Kong Profits Tax has been made as the group sustained a loss for taxation purposes for the periods ended 30 June 2008 and 2007.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduced various changes which included the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law is effective from 1 January 2008. The impact of the new tax law on the Group's consolidated financial statements is immaterial.

4 LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Amortisation of land lease premium	29	2
Amortisation of intangible assets	2,568	-
Depreciation	5,776	3,683
Interest income	(1,309)	(1,072)
Interest on bank borrowings	892	985

5 DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: \$Nil).

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

6 LOSS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$19,242,000 for the six months ended 30 June 2008 (2007: HK\$29,803,000) and the weighted average number of ordinary shares of 1,841,285,000 (2007: 1,407,578,000) in issue during the period.

(b) Diluted

The amount of diluted loss per share is not presented as the effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2008 and 2007.

7 AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2008 (Unaudited) \$'000	At 31 December 2007 (Audited) \$'000
Listed investments:		
–Equity securities listed in Hong Kong	250	–
–Equity securities listed in the PRC	1,631	–
	1,881	–

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

8 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors and bills receivable (net of impairment losses) with the following ageing analysis:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Current	930	4,147
1 to 3 months overdue	5,782	1,814
Total debtors, net of impairment loss	6,712	5,961
Prepayments, deposits and other receivables	15,343	51,193
	22,055	57,154

Credit terms granted by the Group to the customers generally range from 30 days to 150 days. However, debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

9 TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors and bills payable with the following ageing analysis:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Due within 3 months or on demand	3	5,714
Overdue 3 months to 1 year	87	453
Total creditors and bills payable	90	6,167
Other payables and accrued liabilities	6,497	7,712
Amount due to a director	6	458
	6,593	14,337

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2008
(Expressed in Hong Kong dollars)

10 COMMITMENTS

(a) Commitments under operating leases

At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At	At
	30 June	31 December
	2008	2007
	\$'000	\$'000
With 1 year	5,716	4,705
In the second to fifth years inclusive	5,073	5,896
After five years	246	21
	11,035	10,622

(b) Capital commitments

Capital commitments outstanding at 30 June 2008 not provided for in the interim financial report were as follows:

	At	At
	30 June	31 December
	2008	2007
	\$'000	\$'000
Contracted but not provided for	115	532

11 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

No buildings held for own use of the Group (31 December 2007: \$2,876,000) were pledged. Corporate guarantee of the company was given as security for banking facilities amounting to \$5,000,000 (31 December 2007: \$5,000,000) granted to a subsidiary of a former related company. No facilities had been utilised as at 30 June 2008 (31 December 2007: \$2,533,000).

Contingent assets

According to the two sale and purchase agreements dated 29 March 2005 and 6 December 2005 and the corresponding announcements and circulars dated 30 March 2005, 20 April 2005, 6 December 2005 and 30 December 2005 respectively, the consideration paid by the Group as purchaser was subject to downward adjustments. The Company is now in active discussion with the vendors for the refund of the consideration.

Management Discussion and Analysis



BUSINESS REVIEW

In the hope of ensuring security and stability of financial service operations during the 2008 Beijing Olympics period, Chinese financial regulatory bodies tightened restrictions on service providers to launch new services especially in venue cities such as Beijing, Shanghai, Tianjin, Shenyang and Qingdao. Partner banks of the Group also shifted their strategic focus and resources on to business optimization and integration and slowed down development of self-help financial service channels and ATM network expansion. As most of the important and core customers of the Group are located in the Olympic venue cities and vicinity areas, ATM deployment plans of the Group were inevitably affected.

The Group has been developing ATM business in core cities such as Beijing, Shanghai and Shenzhen, and more prosperous regions including Shandong, Jiangsu and Liaoning, with the aim of achieving fast business growth at minimum market risks, hence ensure satisfactory operating benefits. In the first half of 2008, the Group placed strategic focus on strengthening cooperation with existing clients, steadily expanding the scale of existing deployment projects and the partnership projects. In addition, the Group has maintained close liaison and communication with potential clients to prepare for forging formal business partnerships when the time is ripe.

During the first half year, with the mainland economy advancing steadily and the Chinese people earning and spending more, ATM applications have become increasingly popular. Led by an experienced management team, the Group boasts optimum performance in areas such as project implementation rate management, selection of ATM locations, provision of support system, optimization of ATM deployment locations and repair and maintenance capabilities, etc. The Group also emphasizes innovation in developing the operation model of its ATM business and has reached a consensus with a number of partner banks and China Unionpay on development of ATM value-added services. It is expected that more high value-added services will be introduced in the future to increase the competitiveness of the Group, enabling the Group to stand out from the industry.

During the review period, the fierce competition in the software development and system integration market posed persistent pressure on the gross profit rate of the segment. Thus, the Group will flexibly allocate resources to cater to orders that can generate high added value and more profit.

Management Discussion and Analysis



PROSPECTS

Although the global economy is depressed, the Chinese economic growth and the rise of income and consumption demands of the Chinese people shall remain steady; these are going to fuel the reform of the financial sector as well as the development of financial services. Hence, the management expects financial institutions in China to expand ATM deployment and by drawing lessons from their international peers, continue to push forward with construction of their self-help financial networks. At the same time, more diverse ATM service features will be introduced to meet the diverse needs of cardholders, which will facilitate development of the ATM business sector.

In the second half year, the Group will focus on enhancing operational efficiency and sales returns by adjusting and consolidating existing projects. It will, at the same time, keep a close watch and follow up on ATM business opportunities in areas with growth potential and expand deployment scale with cost effectiveness in mind. With operations deployed in the past year maturing and moving into steady development and consolidation and adjustment efforts made during the first half of the year beginning to bear fruits, the Group expects its overall operating performance to improve significantly in the second half of the year. In addition, after the Olympic Games (the Olympics and Paralympics) are over by the end of September and banks begin to review and summarize their businesses and operational plans for the year in October, it is anticipated that ATM deployment programs temporarily shelved will be resumed in the coming year. This is expected to present better business development opportunities to the Group in 2009. But the global economy status in the coming year is expected to impact the Chinese economic growth to a certain extent, and hence will bring the Group's business some uncertainties.

The Group will consolidate its business and, in the meantime, armed with abundant financial resources, continue to actively and with prudence look for better development opportunities or introduce new businesses to strengthen its revenue and profit foundation. As always, the ultimate goal of the Group is to deliver substantial value to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group had cash and bank balances HK\$264.1 million (31 December 2007: HK\$259.2 million) of which HK\$5 million (31 December 2007: HK\$29.6 million) were pledged to banks for facilities granted to the Group.

The Group had loans as at 30 June 2008 amounting to HK\$56.9 million (31 December 2007: HK\$62.1 million). As at 30 June 2008, the total asset value of the Group was HK\$459.7 million (31 December 2007: HK\$481.4 million) whereas the total liabilities was HK\$71.2 million (31 December 2007: HK\$84.1 million). The gearing ratio of the Group, calculated as total liabilities over total assets, was 15.5% (31 December 2007: 17.5%).

Management Discussion and Analysis



As at 30 June 2008, the Group had available aggregate banking facilities of HK\$5 million (31 December 2007: HK\$67.0 million). No facilities has been utilised (31 December 2007: HK\$62.1 million).

Bank deposits totalling HK\$5 million (31 December 2007: HK\$29.6 million) had been charged as security for banking facilities. No properties of the Group are charged (31 December 2007: HK\$2.7 million) as at 30 June 2008.

The Group maintained a net cash (being the total cash and bank balances net of total bank borrowings) to equity ratio of 53.3% (31 December 2007: 51.8%) as at 30 June 2008. With net cash of HK\$207.2 million (31 December 2007: net cash of HK\$197.1 million) as at 30 June 2008, the Group's liquidity position is healthy and the directors of the Company ("Directors") believe that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

As at 30 June 2008, no buildings held for own use of the Group (31 December 2007: HK\$2,876,000) were pledged. Corporate guarantee of the Company was given as security for banking facilities amounting to HK\$5,000,000 (31 December 2007: HK\$5,000,000) granted to a subsidiary of a former related company. As at 30 June 2008, no facilities had been utilised (31 December 2007: HK\$2,533,000).

As at 30 June 2008, no contingent liabilities in connection with performance bonds for suppliers noted (31 December 2007: HK\$1,638,000).

Contingent assets

According to the two sale and purchase agreements dated 29 March 2005 and 6 December 2005 and the corresponding announcements and circulars dated 30 March 2005, 20 April 2005, 6 December 2005 and 30 December 2005 respectively, the consideration paid by the Group as purchaser was subject to downward adjustments. The Company is now in active discussion with the vendors for the refund of the consideration.

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

Management Discussion and Analysis



EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 30 June 2008, the Group had approximately 71 (31 December 2007: 112) employees. Employees' costs (including directors' emoluments) amounted to approximately HK\$8,860,000 (31 December 2007: HK\$22,900,000) for the period. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis.

The Directors believe that experienced staff, in particular its technicians, are the most valuable assets of the Group. Training programs are provided to technicians, especially new recruits, to ensure their technical proficiency.

The Company operates a share option scheme (the "Scheme") whereby the Board may at their absolute discretion, grant options to employees and Executive Directors of the Company and any of its subsidiaries to subscribe for shares in the Company. The subscription price, exercisable period and the maximum number of options to be granted are determined in accordance with the prescribed terms of the Scheme. During the period, no share options were granted to directors, executives, employees and consultants to their contribution to the Group.

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the Directors and chief executive of the Company 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 ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were 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 maintained by the Company referred to therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name	Company	Name of capacity	Number and class of securities <i>(note 1)</i>
Sze Wai, Marco	The Company	Interest of controlled corporation <i>(note 2)</i>	714,869,906 ordinary shares(L) <i>(note 3)</i>
	The Company	Beneficial owner	5,689,769 ordinary shares(L) <i>(note 4)</i>
Chu Chi Shing	The Company	Beneficial owner	5,349,835 ordinary shares(L) <i>(note 4)</i>
Song Jing Sheng	The Company	Beneficial owner	34,000,000 ordinary shares(L)
	The Company	Beneficial owner	2,000,000 ordinary shares(L) <i>(note 4)</i>
Wong Po Yan	The Company	Beneficial owner	1,000,000 ordinary shares(L) <i>(note 4)</i>
Mao Zhenhua	The Company	Beneficial owner	1,000,000 ordinary shares(L) <i>(note 4)</i>
Chong Yiu Kan, Sherman	The Company	Beneficial owner	1,150,000 ordinary shares(L) <i>(note 5)</i>
	The Company	Interest of spouse	100,000 ordinary shares(L)

Other Information Provided in Accordance with the Listing Rules



DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company.
2. These shares were held by Leading Value Industrial Limited which is wholly-owned by Mr. Sze Wai, Marco.
3. Included in these shares were (i) 474,869,906 issued shares held by Leading Value Industrial Limited and (ii) 240,000,000 shares which would be allotted and issued upon conversion of the Convertible Loan.
4. These shares were the respective number of shares which would be allotted and issued upon exercise in full of the options granted to such Directors under the share option schemes of the Company.
5. Included in these shares were (i) 650,000 issued shares and (ii) 500,000 shares would be allotted and issued upon exercise of the options in full granted to him under the share option scheme of the Company.

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executive of the Company had any interest and short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were 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 maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, at their absolute discretion, grant options to employees and executive directors of the Company and any of its subsidiaries to subscribe for shares in the Company (the "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees, non-executive directors, any suppliers and customers of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company.

For options granted before 1 September 2001, the exercise price of options was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options to be granted after 1 September 2001, the exercise price of the options will be the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the options and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES (Continued)

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other operative share option schemes of the Group may not in aggregate exceed 105,778,000, being 10% of the shares in issue of the Company as at 30 June 2006, the date of which the resolution is passed pursuant to the share option scheme. Background of the Company's share option scheme is set out in its annual report for the financial year ended 31 December 2007.

At 30 June 2008, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share is HK\$0.216 at the balance sheet date) granted at nominal consideration of HK\$1.00 for each lot of share options granted under the share option scheme operated by the Company, each option gives the holder the right to subscribe for one share.

The following share options were outstanding under the share option schemes during the year:

	Date granted	Exercisable period	Exercise price of share options	Outstanding at 1.1.2008	Number of options		
					Granted during the period	Exercised/ lapsed during the period	Outstanding at 30.6.2008
Old Scheme							
Directors							
Mr. CHU Chi Shing	16 Jun 1999	10 years	0.806	2,813,861	-	-	2,813,861
	28 Dec 1999	10 years	0.985	267,987	-	-	267,987
	14 May 2001	10 years	0.433	267,987	-	-	267,987
Mr. SZE Wai, Marco	14 May 2001	10 years	0.433	4,689,769	-	-	4,689,769
Employees							
	16 Jun 1999	10 years	0.806	1,046,489	-	-	1,046,489
	20 Dec 1999	10 years	0.843	133,993	-	-	133,993
	3 Jan 2000	10 years	1.075	696,766	-	-	696,766
	14 May 2001	10 years	0.433	2,344,884	-	-	2,344,884

Other Information Provided in Accordance with the Listing Rules

Date granted	Exercisable period	Exercise price of share options HK\$	Outstanding at 1.1.2008	Number of options			
				Granted during the period	Exercised/ lapsed during the period	Outstanding at 30.6.2008	
New Scheme							
Directors							
Mr. SZE Wai, Marco	31.10.2006	10 years	0.250	1,000,000	-	-	1,000,000
Mr. CHU Chi Shing	31.10.2006	10 years	0.250	2,000,000	-	-	2,000,000
Mr. SONG Jing Sheng	31.10.2006	10 years	0.250	2,000,000	-	-	2,000,000
Independent Non-executive directors							
Mr. MAO Zhenhua	31.10.2006	10 years	0.250	1,000,000	-	-	1,000,000
Mr. WONG Po Yan	31.10.2006	10 years	0.250	1,000,000	-	-	1,000,000
Mr. CHONG Yiu Kan, Sherman	31.10.2006	10 years	0.250	500,000	-	-	500,000
Former director							
Mr. GU Peijian	31.10.2006	10 years	0.250	500,000	-	-	500,000
Employees							
	20.03.2006	10 years	0.122	2,000,000	-	-	2,000,000
	04.10.2006	10 years	0.213	3,000,000	-	-	3,000,000
	02.01.2007	10 years	0.285	2,400,000	-	-	2,400,000
				27,661,736	-	-	27,661,736

The share options are exercisable for a period of ten years commencing from the date of grant and subject to the vesting provisions as follows:

Date granted	Vesting period	Percentage of options vested
16.06.1999	16.06.1999 – 01.10.1999	Nil
	02.10.1999 – 01.01.2000	10%
	02.01.2000 – 01.01.2001	30%
	02.01.2001 – 01.01.2002	60%
	02.01.2002 – 01.07.2002	90%
	02.07.2002 – 05.07.2009	100%
20.12.1999, 03.01.2000, 28.02.2000 and 21.07.2000	Date of grant – 01.01.2001	Nil
	02.01.2001 – 01.01.2002	30%
	02.01.2002 – 01.01.2003	60%
	02.01.2003 – 10 years from the date of grant	100%

Other Information Provided in Accordance with the Listing Rules

Date granted	Vesting period	Percentage of options vested
28.12.1999	28.12.1999 – 31.01.2001	Nil
	01.02.2001 – 27.12.2009	100%
14.05.2001	14.05.2001 – 30.09.2001	Nil
	01.10.2001 – 01.01.2002	40%
	02.01.2002 – 01.01.2003	70%
	02.01.2003 – 13.05.2011	100%
20.03.2006	21.03.2006 – 20.03.2016	100%
04.10.2006	04.10.2006 – 03.04.2007	Nil
	04.04.2007 – 03.10.2007	50%
	04.10.2007 – 03.10.2016	100%
31.10.2006	31.10.2006 – 30.04.2007	Nil
	01.05.2006 – 31.10.2007	50%
	01.11.2007 – 30.10.2016	100%
02.01.2007	02.01.2007 – 01.01.2008	Nil
	02.01.2008 – 01.01.2009	33.3%
	02.01.2009 – 01.01.2010	66.6%
	02.01.2010 – 01.01.2017	100%

The weighted average value per option granted in 2002 estimated at the date of grant using the Black-Scholes pricing model was HK\$0.67. Those share options are not recognised in the financial statements until they are exercised. The weighted average assumptions used are as follows:

	2002
Risk-free interest rate	3.97%
Expected life (in years)	10
Volatility	0.08
Expected dividend per share	-

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Apart from the foregoing, at no time during the period was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Company's Directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or any other body corporate.

Other Information Provided in Accordance with the Listing Rules

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 30 June 2008, the following persons and entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of ordinary Shares <i>(note 1)</i>	Capacity	Approximate percentage of interest
Leading Value Industrial Limited <i>(note 2)</i>	714,869,906 (L)	Beneficial owner	38.82
Wen Jian Zhu	100,000,000 (L)	Beneficial owner	5.43

Notes:

1. The letter "L" represents the entity's interests in the Shares.
2. Leading Value Industrial Limited is a company wholly owned by Sze Wai, Marco, who is an executive Director.

Save as disclosed above, as at 30 June 2008, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

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

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("Code on CG Practices") throughout the period ended 30 June 2008.

Other Information Provided in Accordance with the Listing Rules



MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, as the Code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 June 2008.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, and to provide advice and comments thereon to the Board. The audit committee comprises three independent non-executive directors, namely Mr. Wong Po Yan, Mr. Mao Zhenhua and Mr. Chong Yiu Kan, Sherman. Mr. Chong Yiu Kan, Sherman is the Chairman of the audit committee. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the interim report for the six months ended 30 June 2008 with the Directors.

BOARD OF DIRECTORS

As at the date hereof, the board of directors of the Company comprises Sze Wai, Marco, Chu Chi Shing, Song Jing Sheng and Tan Shu Jiang as executive Directors and Wong Po Yan, Mao Zhenhua and Chong Yiu Kan, Sherman as independent non-executive Directors.

By order of the Board

Sze Wai, Marco

Chairman

Hong Kong, 25 September 2008