



SINO PROSPER HOLDINGS LIMITED



Sino Prosper Holdings Limited

中盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 766

INTERIM RESULTS

The Board of Directors (the “Board”) of Sino Prosper Holdings Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007. These unaudited interim results have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September	
		2007 (Unaudited) HK\$’000	2006 (Unaudited) HK\$’000
Continuing operations			
Revenue	2	66,789	—
Cost of sales		<u>(66,549)</u>	<u>—</u>
Gross profit		240	—
Other income and gains		2,317	54
Administrative expenses		(14,964)	(96,688)
Finance costs		<u>(20)</u>	<u>(20)</u>
Loss before tax		(12,427)	(96,654)
Income tax expense	3	<u>—</u>	<u>—</u>
Loss for the period from continuing operations		(12,427)	(96,654)
Discontinued operations			
Loss for the period from discontinued operations		<u>—</u>	<u>—</u>
Loss for the period	4	<u><u>(12,427)</u></u>	<u><u>(96,654)</u></u>
Attributable to:			
Equity holders of the Company		(12,150)	(95,747)
Minority interests		<u>(277)</u>	<u>(907)</u>
		<u><u>(12,427)</u></u>	<u><u>(96,654)</u></u>
Loss per share for loss attributable to equity holders of the Company for the period			
From continuing and discontinued operations	6		
Basic and diluted		(0.95 cents)	(7.95 cents)
From continuing operations			
Basic and diluted		<u>(0.95 cents)</u>	<u>(7.95 cents)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	7	<u>783</u>	<u>586</u>
Current assets			
Trade and other receivables	8	17,471	17,269
Amounts due from minority shareholders		3,572	3,698
Bank balances and cash		<u>255,170</u>	<u>258,960</u>
		<u>276,213</u>	<u>279,927</u>
Current liabilities			
Trade and other payables	9	16,310	15,397
Obligation under a hire-purchase contract		<u>186</u>	<u>186</u>
		<u>16,496</u>	<u>15,583</u>
Net current assets		<u>259,717</u>	<u>264,344</u>
Total assets less current liabilities		<u>260,500</u>	<u>264,930</u>
Non-current liabilities			
Obligation under a hire-purchase contract		<u>217</u>	<u>311</u>
Net assets		<u><u>260,283</u></u>	<u><u>264,619</u></u>
Capital and reserves			
Share capital	10	12,862	12,742
Share premium and reserves		<u>246,207</u>	<u>250,362</u>
Equity attributable to equity holders of the Company		259,069	263,104
Minority interests		<u>1,214</u>	<u>1,515</u>
Total equity		<u><u>260,283</u></u>	<u><u>264,619</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash used in operating activities	(11,098)	(15,473)
Net cash (used in)/generated by investing activities	(411)	50,000
Net cash generated by financing activities	<u>7,786</u>	<u>59,662</u>
 NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	 (3,723)	 94,189
Cash and cash equivalents at the beginning of the period	258,960	135,064
Effect of foreign exchange rate changes	<u>(67)</u>	<u>—</u>
 CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	 <u><u>255,170</u></u>	 <u><u>229,253</u></u>
 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u><u>255,170</u></u>	<u><u>229,253</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Share capital	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Translation reserve	Retained profits/ (Accumulated loss)	Total reserves	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006 (Audited)	11,495	117,884	-	4,583	12,640	(163)	41,124	176,068	3,110	190,673
Issue of ordinary shares upon exercise of share options (Unaudited)	807	58,855	-	84,254	-	-	-	143,109	-	143,916
Transfer of reserves upon exercise of share options (Unaudited)	-	3,019	-	(3,019)	-	-	-	-	-	-
Expense in relation to issue of shares (Unaudited)	-	(20)	-	-	-	-	-	(20)	-	(20)
Loss for the period (Unaudited)	-	-	-	-	-	-	(95,747)	(95,747)	(907)	(96,654)
At 30 September 2006 (Unaudited)	<u>12,302</u>	<u>179,738</u>	<u>-</u>	<u>85,818</u>	<u>12,640</u>	<u>(163)</u>	<u>(54,623)</u>	<u>223,410</u>	<u>2,203</u>	<u>237,915</u>

Attributable to equity holders of the Company

	Share capital	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Translation reserve	Retained profits/ (Accumulated loss)	Total reserves	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007 (Audited)	12,742	209,815	-	61,115	12,640	2,939	(36,147)	250,362	1,515	264,619
Exchange differences arising on translation of foreign operations (Unaudited)	-	-	-	-	-	(45)	-	(45)	(24)	(69)
Grant of share options (Unaudited)	-	-	-	260	-	-	-	260	-	260
Placing of warrants (Unaudited)	-	-	2,440	-	-	-	-	2,440	-	2,440
Issue of ordinary shares upon exercise of share options (Unaudited)	120	5,340	-	-	-	-	-	5,340	-	5,460
Transfer of reserves upon exercise of share options (Unaudited)	-	120	-	(120)	-	-	-	-	-	-
Loss for the period (Unaudited)	-	-	-	-	-	-	(12,150)	(12,150)	(277)	(12,427)
At 30 September 2007 (Unaudited)	<u>12,862</u>	<u>215,275</u>	<u>2,440</u>	<u>61,255</u>	<u>12,640</u>	<u>2,894</u>	<u>(48,297)</u>	<u>246,207</u>	<u>1,214</u>	<u>260,283</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

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

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007.

In the current period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (“new HKFRS”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 April 2007. The adoption of these new HKFRSs has no material effect on how the Group’s results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

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

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

2. Revenue and segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Business segments

	Continuing operations		Discontinued operations		Total	
	Energy and natural resources		Property development and management		Six months ended	
	Six months ended		Six months ended		30 September	
	30 September		30 September		30 September	
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE						
External sales	<u>66,789</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>66,789</u>	<u>–</u>
RESULTS						
Segment results	(1,355)	(3,624)	–	–	(1,355)	(3,624)
Unallocated income and gains					2,317	54
Unallocated corporate expenses					(13,369)	(93,064)
Finance costs					<u>(20)</u>	<u>(20)</u>
Loss before tax					(12,427)	(96,654)
Income tax expense					<u>–</u>	<u>–</u>
Loss for the period					<u>(12,427)</u>	<u>(96,654)</u>

Geographical segments

	Hong Kong		People's Republic of China ("PRC")		Other Asia Pacific countries	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2007	2006	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>–</u>	<u>–</u>	<u>66,789</u>	<u>–</u>	<u>–</u>	<u>–</u>

3. Income tax expense

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30 September 2006: 17.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits derived from or arising in Hong Kong for the periods ended 30 September 2006 and 2007.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 33% (six months ended 30 September 2006: 33%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for PRC Enterprise Income Tax has been made as there were no assessable profit generated from the Group's PRC operation during the periods ended 30 September 2006 and 2007.

No deferred tax assets and liabilities are recognized in this unaudited condensed consolidated financial statements as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 30 September 2006 and 2007.

4. Loss for the period

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging:		
Employee benefits expense		
– Directors' remuneration	1,824	7,004
– Other staff costs (excluding directors' emoluments):		
– Salaries and other benefits	1,783	972
– Retirement benefits schemes contributions	70	31
– Equity-settled share-based payments	–	78,280
	<u>3,677</u>	<u>86,287</u>
Depreciation for property, plant and equipment		
– Owned assets	114	43
– Leased assets	98	147
	<u>212</u>	<u>190</u>
Share options granted to consultants	<u>260</u>	<u>1,010</u>

5. Interim dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2007 (six months ended 30 September 2006: Nil).

6. Loss per share for loss attributable to equity holders of the Company for the period

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2007 (Unaudited)	2006 (Unaudited)
Loss for the period attributable to equity holders of the Company (HK\$)	(12,150,000)	(95,747,000)
Less: Loss for the period from discontinued operations (HK\$)	—	—
Loss for the purpose of basic and diluted loss per share from continuing operations (HK\$)	<u>(12,150,000)</u>	<u>(95,747,000)</u>
Weighted average number of ordinary shares in issue	1,281,441,847	1,204,788,611
Basic and diluted loss per share from continuing and discontinued operations (HK cents per share)	(0.95)	(7.95)
Basic and diluted loss per share from continuing operations (HK cents per share)	<u>(0.95)</u>	<u>(7.95)</u>

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme since their exercise would have an anti-dilutive effect.

7. Property, plant and equipment

Movements of property, plant and equipment for the six months ended 30 September 2007:

	(Unaudited) HK\$ '000
Carrying amount at 1 April 2007	586
Additions	411
Depreciation	(212)
Exchange adjustments	<u>(2)</u>
Carrying amount at 30 September 2007	<u>783</u>

8. Trade and other receivables

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (audited) HK\$'000
Trade receivables	4,064	4,064
Prepayments, deposits and other receivables	<u>13,407</u>	<u>13,205</u>
	<u><u>17,471</u></u>	<u><u>17,269</u></u>

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (audited) HK\$'000
0 – 90 days	–	4,064
Over 90 days	<u>4,064</u>	<u>–</u>

9. Trade and other payables

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (audited) HK\$'000
Trade payables	228	228
Other payables and accruals	<u>16,082</u>	<u>15,169</u>
	<u><u>16,310</u></u>	<u><u>15,397</u></u>

The following is an aged analysis of trade payables at the balance sheet date:

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (audited) HK\$'000
0-90 days	–	228
Over 90 days	<u>228</u>	<u>–</u>

10. Share capital

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each:		
Authorized:		
Ordinary shares of HK\$0.01 each At 31 March 2007 and 30 September 2007	20,000,000,000	200,000,000
Issued and fully paid:		
At 1 April 2006	1,149,500,000	11,495,000
Issue of new shares (Note (i))	49,763,158	497,632
Exercise of share options (Note (ii))	74,900,000	749,000
At 31 March 2007 and 1 April 2007	1,274,163,158	12,741,632
Exercise of share options (Note (iii))	12,000,000	120,000
At 30 September 2007	1,286,163,158	12,861,632

Notes:

- (i) On 3 February 2006, the Company announced that it had entered into a subscription agreement dated 24 January 2006 (the "Beijing CMIL Subscription Agreement") with Beijing China Metallurgy Investment Limited (北京中冶投資有限公司) ("Beijing CMIL"), pursuant to which Beijing CMIL has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 49,763,158 new ordinary shares at the subscription price of HK\$0.80 per subscription share. The market price of the Company's share is HK\$0.67 per share on 23 December 2006, being the date on which the terms of issue is fixed and the last trading date prior to the information on the subscription was made public.

On 4 May 2006, the Company further announced that completion of the Beijing CMIL Subscription Agreement took place on 27 April 2006 and an aggregate of 49,763,158 new ordinary shares subscribed by Beijing CMIL pursuant to the Beijing CMIL Subscription Agreement were allotted and issued to Beijing CMIL at the subscription price of HK\$0.80 per subscription share on 27 April 2006. The net subscription price is a approximately HK\$0.79 per subscription share. The subscription shares upon allotment and issue, ranked pari passu in all respects among themselves and with the shares then in issue. The new shares were allotted and issued under the general mandate granted to the Company's directors by resolution of the Company's shareholders passed at the annual general meeting of the Company held on 22 August 2005. The Company intends to apply the net proceeds therefrom of approximately HK\$39,790,000 as general working capital of the Group and investment funding to the Group on possible investment projects.

- (ii) During the year ended 31 March 2007, 74,900,000 shares were issued upon the exercise of share options at exercise prices ranging from HK\$0.340 to HK\$0.710 per share, giving rise to aggregate net proceeds of approximately HK\$50,091,000.
- (iii) During the period ended 30 September 2007, 12,000,000 ordinary shares of HK\$0.01 were issued pursuant to the exercise of share options during the period by a consultant according to terms of the share option scheme allocated to employees and consultants. An amount of HK\$1.00 was received from the option holder for the right to subscribe for these options.

11. Warrants

On 21 May 2007, the Company announced that it had entered into the warrant subscription agreement dated 16 May 2007 with an independent investor in relation to a private placing of 244,000,000 non-listed warrants at an issue price of HK\$0.01 per warrant. The warrants entitled the holder thereof to subscribe for new shares of the Company at an initial exercise price of HK\$0.64 per new share (subject to adjustment) at any time during a period of three years commencing from the date of issue of the warrants. Each warrant carried the right to subscribe for one new share. The warrants were freely transferable in integral multiples of 4,000,000 warrants.

The warrants were issued on 1 June 2007 upon completion of the warrant subscription agreement, and the Company received net proceeds of approximately HK\$2,440,000 in respect of the placing of the warrants. The net proceeds from the placing of the warrants were used for general working capital of the Group.

12. Operating lease commitments

At 30 September 2007, the Group had commitments for future minimum leases payments under non-cancelable operating leases in respect of land and buildings which fall due as follows:

	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
Within one year	1,258	825
In the second to fifth years inclusive	<u>875</u>	<u>152</u>
	<u><u>2,133</u></u>	<u><u>977</u></u>

13. Related party transactions

Save as disclosed elsewhere in this interim report, the Group had the following related party transactions during the period:

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Compensation to key management personnel		
Short-term employee benefits	1,800	2,022
Post-employment benefits	24	18
Share-based payments	<u>—</u>	<u>4,964</u>

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

14. Litigation

On 21 May 2007, the Company's legal advisors received a letter from the legal advisors of Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), a substantial shareholder of the Company as at 31 March 2007, indicating that they have been instructed by Mr. Kan to initiate proceedings to petition to wind up the Company (the "Petition").

On 22 May 2007, the Company applied and successfully sought an injunction order (the "Injunction Order") from the High Court of The Hong Kong Special Administrative Region (the "High Court") against Mr. Kan which among other things, restrains Mr. Kan and his servants or agents or otherwise howsoever from presenting, filing or advertising any petition or taking any step for the winding up of the Company either in Hong Kong or in any part of the world. A summons dated 22 May 2007 under Order 29 of the Rules of High Court has been issued and filed with the High Court Registry on 23 May 2007 for the attendance by the Company and Mr. Kan of a hearing at the High Court on 30 May 2007 (the "Return Date") at 9:30 am of an application made by the Company for an order that the Injunction Order do remain in force beyond the Return Date.

On 30 May 2007, the High Court has ordered (upon application by way of consent summons dated 29 May 2007 signed by the respective solicitors for the Company and Mr. Kan) that among other things, (i) the Injunction Order do remain in force until otherwise varied or discharged by a further order of the High Court and (ii) the hearing of the summons filed by the Company on 23 May 2007 be adjourned to another date to be fixed.

On 22 June 2007, the Company's legal advisors received a letter from the legal advisors of Mr. Kan proposing a mutual stand still.

On 29 June 2007, the legal advisors of the Company and Mr. Kan agreed the proposed mutual stand still that, each side is at liberty to give one month's notice to the other side and, upon expiry of the notice, proceed to take steps for filing of the documents (i.e. for the Company: the statement of claim/for Mr. Kan: his affirmation). Each side will, upon request, provide necessary confirmation of no objection to the filing out of time of such documents. Thereafter, parties would proceed with the action in manner as they see fit.

As of the date of approval of this unaudited condensed consolidated financial statements, neither the Company nor the legal advisors of the Company receive any notice from Mr. Kan or his legal advisors or aware of any such notice being sent by Mr. Kan or his legal advisors. The Injunction Order remains in force as of the date of approval of this unaudited condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months period ended 30 September 2007, the Group recorded a turnover of approximately HK\$66,789,000 from the sale of copper concentrate powder (six months ended 30 September 2006: Nil). For the six months period ended 30 September 2007, the Group's net loss attributable to shareholders was approximately HK\$12,150,000 (six months ended 30 September 2006: approximately HK\$95,747,000). The decrease in net loss attributable to shareholders was mainly due to the significant decrease in equity settled share-based payments from HK\$84.3 million to HK\$0.3 million.

The Group has been transforming to focus its development on energy and resources businesses, which are still at initial and developing stage. The following sets out briefly the progress of these projects, which the Group has been working on.

1. CNPC Sino Prosper Petroleum and Gas Company Ltd (“CNPC”)

On 25 February 2007, the Ministry of Commerce of the PRC has issued a letter which approved the establishment of CNPC and the Guangdong Provincial Administration for Industry & Commerce has on 30 April 2007 issued CNPC with its business licence. CNPC will be principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services.

2. Indonesia-Bitumen Joint Venture Extraction Project

The Group has been actively engaged in the mineral resources exploration project in Indonesia through a 65%-owned joint venture, namely P.T. Sino Prosper Indocarbon (“Indocarbon”). Indocarbon owned the right to carry out general exploration on mineral resources of a total of 22,076 hectares of land in the area of Buton Bitumen Mine.

Indocarbon has been issued four certificates of detailed exploration in specified exploration areas by the Government of Buton Administration Region. Such certificates have a term of three years and can be extended for another two years upon their expiry.

OUTLOOK AND NEW DEVELOPMENTS

The Group will continue to take a prudent yet proactive approach to new investment opportunities, including exploration of potential energy projects both in China and overseas to capture the demands generated from China’s rapid economic development.

FINANCIAL REVIEW

The Group generally finances its operations with internally generated cash flows. As at 30 September 2007, the Group had bank balances and cash of approximately HK\$255 million (31 March 2007: approximately HK\$259 million). Its gearing ratio calculated as a ratio of debt to equity was nil (31 March 2007: nil). Net current assets totalled HK\$260 million (31 March 2007: HK\$264 million) and the current ratio was maintained at the strong level of approximately 17 (31 March 2007: approximately 18).

CAPITAL COMMITMENTS

The Group had the following capital commitments as at 30 September 2007 and 31 March 2007:

	As at 30 September 2007 (Unaudited) HK\$'000	As at 31 March 2007 (Audited) HK\$'000
Authorised and contracted for:		
Acquisition of the land use right in the PRC	1,300	1,300
Investment in a joint venture company	<u>47,500</u>	<u>47,500</u>

SEASONAL OR CYCLICAL FACTORS

The Group's business operations are not significantly affected by any seasonal or cyclical factors.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in Renminbi, United States dollar, Indonesian Rupiah and Hong Kong dollar. The Group's foreign exchange exposure is therefore minimal as long as the policy of the Government of Hong Kong Special Administrative Region to link the Hong Kong dollar to the United States dollar remains in effect. For the Group's investment in a subsidiary in Indonesia, purchases and sales are quoted in United States dollar, foreign exchange transaction exposure is therefore minimal.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 September 2007, the Group employed approximately 44 full time staff in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2007, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were 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 which the directors were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers, were as follows:—

(i) Interests and short positions in shares of the Company

	Number of ordinary shares (Note 1)	Approximate percentage of total issued shares
<i>Executive Directors:</i>		
Leung Ngai Man	240,000,000 (L)	18.66
	80,000,000 (S) (Note 2)	6.22
Wong Wa Tak	1,600,000 (L) (Note 3)	0.12

Notes:

1. The letters “L” and “S” represent the entity’s long and short positions in the shares of the Company, respectively.
2. These shares were held and beneficially owned by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Leung Ngai Man. Climax Park Limited also has a short position for 80,000,000 shares. Under the SFO, Leung Ngai Man was deemed to be interested in these 300,000,000 shares and deemed to have a short position of 80,000,000 shares.
3. These 1,600,000 shares were held and beneficially owned by Master Hill Development Ltd., a company incorporated in Hong Kong with 50% of its shareholdings held and beneficially owned by Wong Wa Tak.

(ii) Interest in options to subscribe for shares in the Company outstanding under the share option scheme of the Company adopted on 25 April 2002

Save as disclosed under the heading “Share option scheme” below and other than certain nominee shares in subsidiaries held by certain directors in trust for the Group, as at 30 September 2007, none of the directors nor chief executive of the Company had any interest or short positions 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 SFO (including interests and short positions which the directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were 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 the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' interests and short positions in shares" above, and "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 30 September 2007, no person other than directors whose interests are set out in the section headed "Directors' interests and short position in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Name of Shareholder	Number of ordinary share/ underlying share (Note 1)	Capacity and nature of interest	Approximate percentage of interests (Note 2)
Climax Park Limited	240,000,000 (L) 80,000,000 (S)	Beneficial owner (Notes 3 and 4)	18.66
Kingston Finance Limited	240,000,000 (L)	Person having a security interest in shares (Note 5)	18.66
CMEC International Trading Import & Export Co., Ltd.	80,000,000 (L)	Beneficial owner (Note 3)	6.22
China National Machinery & Equipment Import & Export Corporation	80,000,000 (L)	Interest of a controlled corporation (Note 3)	6.22
Chu Yuet Wah	240,000,000 (L)	Interest of a person having a security interest in shares (Note 6)	18.66
Ma Siu Fong	240,000,000 (L)	Interest of a person having a security interest in shares (Note 7)	18.66

Notes:

1. The letters “L” and “S” represent the entity’s long and short positions in the shares and underlying shares of the Company respectively.
2. This percentage is calculated on the basis of 1,286,163,158 shares of the Company in issue as at 30 September 2007 but does not take into account of any shares which may fall to be allotted and issued upon the exercise of any options or warrants which remained outstanding as at 30 September 2007.
3. Climax Park Limited granted a call option to CMEC International Trading Import & Export Co., Ltd. on 19 July 2005, pursuant to which CMEC International Trading Import & Export Co., Ltd. may require Climax Park Limited to sell to it up to 80,000,000 shares. CMEC International Trading Import & Export Co., Ltd. is a company incorporated in the People’s Republic of China and wholly owned by China National Machinery & Equipment Import & Export Corporation. Under the SFO, China National Machinery & Equipment Import & Export Corporation was deemed to be interested in the underlying shares of the Company under the call option.
4. Climax Park Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Leung Ngai Man.
5. 240,000,000 shares in which Climax Park Limited is interested was pledged to Kingston Finance Limited, under the SFO, Kingston Finance Limited was deemed to be interested in these 240,000,000 shares.
6. Chu Yuet Wah was deemed to be interested in such shares through its 51% interest in Kingston Finance Limited.
7. Ma Siu Fong was deemed to be interested in such shares through its 49% interest in Kingston Finance Limited.

SHARE OPTION SCHEME

The Company’s share option scheme (the “Scheme”) was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 May 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties including consultants as incentives for their contributions to the development of the Group.

The total number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company’s share capital and with an aggregate value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

Movements in the share options during the six months ended 30 September 2007 are as follows:

Category/ Name of directors	Date of grant	Exercisable period	Exercise price per share	Number of share options			Outstanding and exercisable as at 30 September 2007
				Outstanding and exercisable as at 31 March 2007	Granted during the six months ended 30 September 2007	Exercised during the six months ended 30 September 2007	
Mr. Leung Ngai Man	3 January 2005	3 January 2005 to 2 January 2015	HK\$0.410	8,000,000	–	–	8,000,000
Mr. Yeung Kit	1 November 2004	1 November 2004 to 31 October 2014	HK\$0.475	1,400,000	–	–	1,400,000
	12 January 2005	12 January 2005 to 11 January 2015	HK\$0.410	5,000,000	–	–	5,000,000
Master Hill Development Limited (Note (i))	29 November 2004	29 November 2004 to 28 November 2014	HK\$0.460	3,000,000	–	–	3,000,000
Mr. Chan Sing Fai	1 November 2004	1 November 2004 to 31 October 2014	HK\$0.475	800,000	–	–	800,000
Mr. Cai Wei Lun	8 May 2006	8 May 2006 to 7 May 2016	HK\$1.460	3,400,000	–	–	3,400,000
Directors				21,600,000	–	–	21,600,000
Employees	8 May 2006	8 May 2006 to 7 May 2016	HK\$1.460	23,000,000	–	–	23,000,000
	1 September 2006	1 September 2006 to 31 August 2016	HK\$0.710	26,000,000	–	–	26,000,000
Consultants	23 March 2005	23 March 2005 to 22 March 2015	HK\$0.340	4,000,000	–	–	4,000,000
	1 September 2006	1 September 2006 to 31 August 2016	HK\$0.710	10,000,000	–	–	10,000,000
	4 September 2006	4 September 2006 to 3 September 2016	HK\$0.710	6,000,000	–	–	6,000,000
	1 June 2007	1 June 2007 to 31 May 2017	HK\$0.455	–	26,000,000	(12,000,000)	14,000,000
Total				<u>90,600,000</u>	<u>26,000,000</u>	<u>(12,000,000)</u>	<u>104,600,000</u>

Note (i) Mr. Wong Wa Tak has beneficial interest in Master Hill Development Limited.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisitions or disposals of subsidiaries or associates during the six months ended 30 September 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by its directors. Based on specific enquiry of the directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by this interim report.

CORPORATE GOVERNANCE

During the six months ended 30 September 2007, the Company was in compliance with the code provision of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules on the Stock Exchange except the following:

(i) CODE PROVISION A.4.1

Pursuant to code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive and independent non-executive directors are not appointed for specific terms as required, but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Articles of Association ("Articles") of the Company. In order to ensure compliance with the Code, the Company will arrange to fix the terms of offices of each of the non-executive and independent non-executive directors, subject to earlier determination and the re-election and rotational requirements in accordance with the Articles.

(ii) CODE PROVISION E.1.2

Pursuant to code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. However, the Chairman of the Board was absent from the annual general meeting held on 24 August 2007 due to business matters. To ensure compliance with the Code, the Company will arrange to furnish all Directors with appropriate information on the general meetings and take all reasonable measures to arrange the schedule in such a cautious way that Directors and particularly the Chairman of the Board can confirm his attendance to the annual general meeting.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2007.

By Order of the Board

Tang Yan Tian

Chief Executive Officer

Hong Kong, 28 December 2007

As at the date of this report, the Board comprises Mr. Leung Ngai Man, Mr. Tang Yan Tian, Mr. Yeung Kit, and Mr. Wong Wa Tak as executive directors, and Mr. Chan Sing Fai, Mr. Cai Wei Lun and Dr. Leung Wai Cheung as independent non-executive directors.