The Quaypoint Corporation Limited

紀 翰 集 團 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2330)

INTERIM RESULTS FOR 2007/08

CHAIRMAN'S STATEMENT

The Board of Directors (the "Board") of The Quaypoint Corporation Limited (the "Company") has pleasure in presenting the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months period ended 31 December 2007. The unaudited condensed consolidated interim financial information has been reviewed and approved by the Board and the Audit Committee of the Company.

After more than a year of suspension of the trading of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company published an announcement on 22 June 2007 to clarify and advise the updated status of the litigations. Resumption of the trading of the Company's shares on the Stock Exchange took place on 25 June 2007.

In July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK$0.30 each and the raised funds were used for general working capital of the Group.

In August 2007, the Company entered into a non-binding letter of intent with an independent third party relating to the development of a property located in the PRC. But unfortunately, this letter of intent was mutually agreed to be terminated in December 2007 as both parties were unable to reach a mutual agreement on the detailed terms and conditions.

There have been some changes in the composition of the Board after annual general meeting held in November 2007, and it is my pleasure to be elected as chairman of the Board. The new Board members are all well experienced in their field of business. I would like to welcome the new members of the Board and look forward to working with them as a team to enhance the performance of the Group.

In December 2007, the Company purchased an office premises in Hong Kong which would be used as the future office of the Group. By doing so, the Company can save on future rental expenses and enhance the capital base at the same time.

For the debt-restructuring proposal on approximately RMB140 million, we are continuing our negotiation with the Bank of China, Shenzhen branch.

Taking into account of the broadening of the revenue base, the anticipated finalization of the debt restructuring proposal and the fund raising activities (if necessary), the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

Finally, on behalf of the Board, I would like to extend my appreciation to our management and employees for their dedication and efforts during this period.

** For identification purposes only*

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months period ended 31 December 2007 (2006: nil).

PROSPECTS

The Company will continue to focus on the target business areas with an objective to enhance operation performance and profit ability of the Group. The Board is confident with the diversified business experience and resources from the new management team, they will strive to contribute themselves to capture right business opportunities from the fluctuated and complicated market. The Company will look for more new projects for expansion in Asia, especially the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 December 2007, the Group achieved unaudited turnover of RMB111,253,000 (2006: approximately RMB11,697,000) which represented a 851% increase as compared to the last corresponding period. The unaudited loss attributable to equity holders of the Company was approximately RMB74,783,000 (2006: approximately RMB14,209,000) which included an amount of approximately RMB60,000,000 set aside in respect of the alleged guarantee which are said to be issued by a PRC subsidiary of the Company.

During the period a joint venture company ("JV company") was formed in which the Company holds 51%. The JV company is principally engaged in the provision / trading of electric products, including mobile phones. During the period the JV company contributed significantly to our turnover and it is envisaged that the business will continue to grow.

In addition, during the period the Company purchased a commercial unit in Hong Kong of approximately 2,000 sq.ft. which will be used as the corporate head office of the Group. This will enable the Group to save on rental expenses in the long run and enhance asset base. As for our R&D Centre in Shenzhen, we are finalizing the leasing of the ground floor and the first floor. Once finalized, it will enhance our rental income.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the total assets of the Group were approximately RMB292,560,000 (30 June 2007: approximately RMB329,402,000) , a decrease by approximately 11.2 %. At 31 December 2007, the Group has total borrowings of approximately RMB103,118,000 (30 June 2007: approximately RMB139,520,000), approximately RMB83,734,000 of which is owed to Bank of China, Shenzhen branch. At 31 December 2007, the gearing ratio, expressed as a percentage of total borrowings over net assets, was about 1.47 (30 June 2007: 1.19).

At 31 December 2007, the total cash and bank balances of the Group amounted to approximately RMB21,488,000 (30 June 2007: approximately RMB57,551,000). The Group's net current liabilities was approximately RMB137,506,000 (30 June 2007: approximately RMB 81,441,000) and the current ratio was about 0.38 (30 June 2007: 0.61). The decrease of the cash and bank balances was materially due to the injection of capital to a PRC subsidiary for the construction of the R & D Centre, the repayment of indebtedness to the creditors, and the Company's investment in the joint-venture company.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. The Company has applied the principles and complied with the code provisions and, where applicable, the recommended practices of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 31 December 2007 except for the deviation from Code Provision A.3.2 which stipulates that the total number of the independent non-executive directors should be at least one-third of the Board. During the period from 1 December 2007 to 29 February 2008, the Board has only 2 independent non-executive directors (which is less than one-third of the rule). But on 1 March 2008, the Company has appointed a new independent non-executive director, therefore with effect from 1 March 2008, the Company has complied with the Code Provision A.3.2.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Confirmation has been received from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 31 December 2007.

AUDIT COMMITTEE

During the period under review, the Audit Committee has the following four members:

Mr. Poon Lai Yin, Michael, *Chairman*	*Independent Non-executive Director*
Mr. Ng Kwok Chu, Winfield	*Independent Non-executive Director*
Mr. Gerard McMahon	*Non-executive Director*
Mr. Lau Sai Chung	*Executive Director*

The principal duties of the Audit Committee include the review and supervision of the Group's internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company.

The Audit Committee has reviewed and approved the interim accounts for the six months ended 31 December 2007.

REMUNERATION COMMITTEE

During the period under review, the Remuneration Committee has the following three members:

Mr. Ng Kwok Chu, Winfield, *Chairman*	*Independent Non-executive Director*
Mr. Poon Lai Yin, Michael	*Independent Non-executive Director*
Mr. Lau Sai Chung	*Executive Director*

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to the corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

During the period under review, the Nomination Committee has the following three members:

Mr. Ng Kwok Chu, Winfield	*Independent Non-executive Director*
Mr. Poon Lai Yin, Michael	*Independent Non-executive Director*
Mr. Lau Sai Chung	*Executive Director*

The Nomination Committee has adopted a written nomination procedure specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee will be based on the criteria in the procedure (such as appropriate experience, personal skills and time commitment) to identify and recommend proposed candidates to the Board.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

By Order of the Board
The Quaypoint Corporation Limited
Chen Xian
Chairman

Hong Kong, 19 March 2008

As at the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors	:	*Mr. Chen Xian, Ms. Xia Dan, Mr. Tsim Sze Hon and Mr. Lau Sai Chung*
Non-executive Director	:	*Mr. Gerard McMahon*
Independent Non-executive Directors	:	*Mr. Ng Kwok Chu, Winfield, Mr. Poon Lai Yin, Michael and Mr. Chong Yiu Chik*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007

	Note	**2007 (Unaudited) RMB'000**	**2006 (Unaudited) RMB'000**
Turnover	*3*	**111,253**	11,697
Cost of sales		**(94,230)**	(10,274)
Gross profit		**17,023**	1,423
Other revenue	*3*	**563**	806
Other income	*3*	**66**	4,597
Distribution costs		**(4,090)**	(34)
Administrative expenses		**(6,012)**	(6,342)
Other operating expenses		**(2,616)**	(4,039)
Depreciation and amortisation		**(2,116)**	(588)
Staff costs		**(10,117)**	(4,983)
Provision for bank guarantee		**(60,700)**	-
Finance costs		**(6,597)**	(4,713)
Share of losses of associates		**-**	(33)
Loss before taxation	*5*	**(74,596)**	(13,906)
Income tax	*6*	**-**	(303)
Loss for the period		**(74,596)**	(14,209)
Attributable to:			
Equity holders of the Company		**(74,783)**	(14,209)
Minority interests		**187**	-
		(74,596)	(14,209)
Loss per share			
Basic	*7*	**(RMB0.18)**	(RMB0.04)
Diluted	*7*	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Note	At 31 December 2007 (Unaudited) RMB'000	At 30 June 2007 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**16,466**	16,868
Investment properties		**171,848**	166,693
Prepaid lease payment		**273**	273
Interest in associates		**15,173**	10,726
Available-for-sale securities		**4,000**	4,000
Total non-current assets		**207,760**	198,560
Current assets			
Inventories	*8*	**3,213**	2,923
Trade receivables		**49,734**	58,168
Prepayments, deposits and other receivables		**9,950**	10,990
Financial assets at fair value through profit or loss		**415**	1,210
Cash and bank balances		**21,488**	57,551
Total current assets		**84,800**	130,842
Current liabilities			
Trade payables	*9*	**6,159**	11,829
Bills payable, secured	*9*	**2,780**	21,622
Provision, accruals and other payables	*10*	**109,372**	38,830
Receipts in advance		**877**	482
Short-term bank loans	*11*	**103,118**	139,520
Total current liabilities		**222,306**	212,283
Net current liabilities		**(137,506)**	(81,441)
Total assets less current liabilities		**70,254**	117,119
Capital and reserves			
Ordinary share capital		**44,362**	37,100
Convertible redeemable preference shares		**184,653**	184,653
Reserves		**(158,942)**	(104,634)
Total equity attributable to equity shareholders of the Company		**70,073**	117,119
Minority interests		**181**	-
Total Equity		**70,254**	117,119

Notes:

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 30 June 2007, except for the accounting policy changes that are expected to be reflected in the 2008 annual financial statements. Details of these changes in accounting policies are set out in note 2.

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately RMB137,506,000. The sustainability of the Group as a going concern is dependent on its ability to successfully obtain adequate short to long term financing to fund its operations before sufficient cash flows are generated from profitable operations. After evaluating all the relevant facts available to them, the Directors are of the opinion that the Group should be able to maintain itself as a going concern by raising adequate additional finance and by debt restructuring; details are set out below:

(a) To meet the Group's funding needs, the directors will consider to raise funds by issuing additional debt and/or equity securities, if necessary;

(b) As set out in notes 10 and 11 to the unaudited interim financial report, the Company is in the process of negotiation for the restructuring of the guarantee provisions of RMB6,991,000 and RMB60,700,000 and short term bank loan of approximately RMB83,700,000 with the bank creditor. The directors are of the opinion that the negotiation can be concluded successfully and no immediate full repayment is required in short to medium term.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS" which term collectively includes individual HKFRS, HKAS and Interpretations) that are effective for accounting periods beginning on or after 1 July 2007 as follows:

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment[2]
HK(IFRIC) – Interpretation 11	HKFRS 2: Group and Treasury Share Transations[3]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 November 2006
3 Effective for annual periods beginning on or after 1 March 2007

The adoption of these new HKFRS has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised. The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective.

2. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[2]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Interpretation 14	HKAS 19 – 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

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER, OTHER REVENUE AND OTHER INCOME

Turnover, other revenue and other income consist of:

	For the six months ended 31 December	
	2007	**2006**
	(Unaudited)	**(Unaudited)**
	RMB'000	**RMB'000**
Turnover		
- Revenue from sales of automation products and electronic components	**38,367**	11,697
- Sales of natural resources	**4,534**	-
- Rentals from investment properties	**5,494**	-
- Sales of other goods	**62,858**	-
	111,253	11,697
Other revenue		
- Bank interest income	**563**	806
	563	806
Other income		
- Net gain on disposal of listed securities	**-**	1,913
- Excess of fair value of identified net assets acquired over cost	**-**	1,385
- Gain on disposal of property, plant and equipment	**1**	54
- Waiver of other loan, unsecured	**-**	921
- Others	**65**	324
	66	4,597
	111,882	17,100

4. SEGMENT INFORMATION

For the period under review, the Group organised its businesses into three segments: technology, trading, and property investment. Technology segment comprises provision of technical and consultancy services including the provision of automation products on project base. Trading segment comprises the trading of natural resources, automation products, electronic components and mobile phones. Property investment segment comprises rental income arising from the Research and Development Centre in Shenzhen and the landed properties in Hong Kong.

Primary reporting format – Business Segments

	For the six months ended 31 December 2007				
	Technology (Unaudited) RMB'000	**Trading (Unaudited) RMB'000**	**Property investment (Unaudited) RMB'000**	**Unallocated (Unaudited) RMB'000**	**Consolidated (Unaudited) RMB'000**
Turnover	**-**	**105,759**	**5,494**	**-**	**111,253**
Segment results	**-**	**9**	**5,138**	**(9,830)**	**(4,683)**
Other expenses					**(63,316)**
Finance costs					**(6,597)**
Share of losses of associates					**-**
Loss before taxation					**(74,596)**
Income tax					**-**
Loss for the period					**(74,596)**
Other information					
Capital expenditure	**-**	**140**	**8,480**	**-**	**8,620**
Depreciation and amortisation	**-**	**1,897**	**160**	**59**	**2,116**
Profit on disposal of property, plant and equipment	**-**	**1**	**-**	**-**	**1**
Provision for obsolete and slow moving inventories	**-**	**814**	**-**	**-**	**814**

4. SEGMENT INFORMATION *(continued)*

Primary reporting format – Business Segments *(continued)*

	For the six months ended 31 December 2006				
	Technology (Unaudited) RMB'000	Trading (Unaudited) RMB'000	Property investment (Unaudited) RMB'000	Unallocated (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Turnover	-	11,697	-	-	11,697
Segment results	(695)	(7,044)	(21)	(1,400)	(9,160)
Finance costs					(4,713)
Share of loss of an associate					(33)
Loss before taxation					(13,906)
Income tax					(303)
Loss for the period					(14,209)
Other information					
Capital expenditure	-	138	16,631	390	17,159
Depreciation and amortisation	4	495	21	68	588
Loss on disposal of property, plant and equipment	-	-	-	13	13

4. SEGMENT INFORMATION *(continued)*

Secondary reporting format - Geographical Segments

In presenting information on the basis of geographical segments, segment turnover is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

	Turnover For the six months ended 31 December		**Total assets**		**Capital expenditure For the six months ended 31 December**	
			At 31 December	At 30 June		
	2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000	**2007 (Unaudited) RMB'000**	2007 (Audited) RMB'000	**2007 (Unaudited) RMB'000**	2006 (Unaudited) RMB'000
PRC (including Hong Kong)	**111,253**	11,697	**277,387**	318,676	**8,620**	17,159
Interest in associates			**15,173**	10,726		
Total assets			**292,560**	329,402		

5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting) the following:

	For the six months ended 31 December 2007 (Unaudited) RMB'000	2006 (Unaudited) RMB'000
Staff costs (including director's emoluments):		
Salaries, wages and other benefits	**7,383**	4,722
Contributions to defined contribution plans	**168**	261
Share-based payment expense	**2,566**	-
	10,117	4,983
Cost of inventories	**94,230**	10,274
Depreciation and amortisation (net of depreciation capitalised in property under development)	**2,116**	588
(Profit) Loss on disposal of property, plant and equipment	**(1)**	13
Operating lease rentals of premises	**649**	1,108
Provision for obsolete and slow moving inventories	**814**	-
Unrealised loss on financial assets at fair value through profit or loss	**768**	180
Impairment loss on amount due from an associate	**1,034**	-

6. INCOME TAX

Taxation charge in the condensed consolidated income statement.

	For the six months ended 31 December	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current taxation		
- Hong Kong Profits tax	**-**	303

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2020. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

(ii) Hong Kong Profits tax

Hong Kong Profits Tax has not been provided as the Company and its subsidiaries operating in Hong Kong did not derive any assessable profits for the period. Hong Kong Profits tax has been provided for at the rate of 17.5% on the estimated assessable profits earned by a subsidiary operating in Hong Kong for the period ended 31 December 2006.

(iii) PRC enterprise income tax

The wholly owned subsidiaries of the Company, Techwayson Industrial Limited and Techwayson Technology (Shenzhen) Limited, are High-Tech enterprise which were established and are operating in a special economic zone of the PRC, and are normally subject to the PRC enterprise income tax at a rate of 15%. However, they are exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction in the tax rate for the next six years.

These subsidiaries incurred tax losses for the period.

Pursuant to the PRC Enterprise Income Tax Law (the "New Law") passed by the Tenth National People's Congress on 16 March 2007, the new PRC income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Under the New Law, entities that are currently entitled to preferential tax rates will be gradually increase to 25% over a 5 year period unless the entities satisfy the new requirements under the New Law. In respect of tax holidays, for those enterprises which have already started their tax holidays before 2008, they are able to enjoy the remaining tax holidays until expiry whereas for those enterprises which have not yet started their tax holidays before 2008, the tax holidays will be deemed to start from 1 January 2008 and they are able to enjoy the remaining tax holidays until expiry.

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 December 2007 is based on the consolidated loss attributable to equity holders of the Company of approximately RMB74,783,000 (2006: approximately RMB14,209,000) and the weighted average number of 425,093,804 shares (2006: 350,000,000 shares) in issue during the period.

Diluted loss per share for the six months ended 31 December 2007 and 2006 has not been presented as the share options and convertible redeemable preference shares outstanding had an anti-dilutive effect on the basic loss per share.

8. TRADE RECEIVABLES

Trade receivables consisted of:

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade receivables	**49,734**	58,168

Customers are normally required to settle the debts within one month upon issue of invoices, except for certain well established customers where the terms are extended to two to three months. However, for provision of project and technical service, the customers are required to pay by instalments in accordance with the relevant contracts with the last instalment being made within 9 months upon generation of electricity. Subsequent to the balance sheet date, the Group, a trade debtor and a creditor entered into an agreement in which the amount due to the creditor of approximately RMB3,630,000 will be applied to set-off the amount due from the trade debtor.

Ageing analysis of trade receivables, net of provision, is as follows:

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade receivables		
0 – 60 days	**16,485**	36,922
61 – 90 days	**1**	10,178
91 – 365 days	**31,546**	10,026
Over 365 days	**1,702**	1,042
	49,734	58,168

9. TRADE PAYABLES AND BILLS PAYABLE

Ageing analysis of trade payables and bills payable at the period/year end date is as follows:

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Trade payables		
0 – 60 days	**4**	5,983
61 – 90 days	**29**	3,883
91 – 365 days	**4,853**	1,012
Over 365 days	**1,273**	951
	6,159	11,829
Bills payable		
0 – 60 days	**2,780**	21,622

10. PROVISION, ACCRUALS AND OTHER PAYABLES

As at 31 December 2007, provision, accruals and other payables included an amount of approximately RMB6,991,000 (unaudited) (30 June 2007: approximately RMB10,441,000) set aside in respect of alleged guarantees which are said to be issued by a PRC subsidiary of the Company. Under the preliminary settlement agreement with the bank creditor (the "Bank"), the Group has agreed to settle the amount and to pledge its leasehold buildings and investment properties in the PRC as a security. The Group has settled approximately RMB3,450,000 (unaudited) during the period. However, up to the date of issue of this interim financial report, the formal execution of the security has not yet been completed. Details of the preliminary settlement agreement have been set out in the Company's annual report for the year ended 30 June 2007.

In addition, the Group has set aside a provision of approximately RMB60.7 million (unaudited) included in provision, accruals and other payables during the period in respect of a claim by another branch office of the Bank against a PRC subsidiary of the Company under a corporate guarantee allegedly provided by the subsidiary to the Bank in respect of a third party. A judgement was made by the relevant court on the litigation regarding the alleged corporate guarantee in favour of the Bank and the Group has made an appeal against the judgement. Details of the alleged guarantee of approximately RMB60.7 million has been set out in the Company's annual report for the year ended 30 June 2007. To facilitate the negotiation of the restructuring of bank loan of approximately RMB83.7 million (unaudited) with the Bank (note 11), the Group has reached a preliminary settlement agreement with the Bank regarding the alleged guarantee of approximately RMB60.7 million. On 23 October 2007, the PRC subsidiary and the Bank entered into a non-binding memorandum of understanding ("MOU") under which both parties agreed that, among other things, subject to the withdrawal of appeal by the PRC subsidiary, the principal of the amount of approximately RMB60.7 million would be restructured into a term loan of not less than 1 year and not more than 3 years against the mortgage of the Group's leasehold buildings and investment properties in the PRC (to be secured under the above guarantee provisions of approximately RMB6,991,000 and approximately RMB60.7 million and the bank loan of approximately RMB83.7 million (note 11)) and certain amount of accrued interest would be waived. Accordingly, the PRC subsidiary has applied to the relevant court to withdraw the appeal and a provision of approximately RMB60.7 million was made during the current period. As the formal execution of the security has not yet been completed, formal settlement and restructuring agreement has not yet been finalised with the Bank.

10. PROVISION, ACCRUALS AND OTHER PAYABLES *(continued)*

Although the formal execution of the security and final settlement agreements for both guarantee provisions of approximately RMB6,991,000 and approximately RMB60.7 million have not been finalised, the Bank has not demanded immediate repayment. The Group is continuing to negotiate with the Bank to finalise the terms of the settlements and considers there is no immediate liquidity difficulty.

11. SHORT-TERM BANK LOANS

	31 December 2007 (Unaudited) RMB'000	30 June 2007 (Audited) RMB'000
Bank loans, secured	**19,384**	51,286
Bank loans, unsecured	**83,734**	88,234
	103,118	139,520

The unsecured bank loan is borrowed from the Bank by a PRC subsidiary of the Company. This interest rate has been increased to 9.558% as a penalty imposed by the Bank. In December 2006, the Shenzhen Arbitration Committee made a decision in favour of Bank which has however subsequently agreed not to enforce its right to demand immediate repayment from the Group for a period of six months in order to allow the bank to restructure the outstanding debt into a loan secured against the Group's leasehold buildings and investment properties in the PRC. Up to the date of issue of this interim results, the restructure of debt and the formal execution of the security have not yet been finalised.

The secured bank loans represent short-term loans borrowed from other banks by other subsidiaries of the Company which bears interest at the prevailing market interest rate and will become due within one year.