ARTEL SOLUTIONS GROUP HOLDINGS LIMITED
宏通集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

2007 INTERIM REPORT

The board (the "Board") of directors (the "Directors") of Artel Solutions Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 (the "Period") together with the comparative figures for the previous corresponding period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
		(Unaudited)	*(Unaudited)*
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**20,390**	32,319
Cost of sales	*3*	**(20,067)**	(23,263)
Gross profit		**323**	9,056
Other operating income		**325**	160
Distribution costs		**–**	(94)
Administrative expenses		**(1,226)**	(11,081)
Finance costs	*4*	**(9)**	(13,586)
Share of results of associates		**(245)**	–
Loss on disposal of interests in associates		**(374)**	–
Loss before taxation	*5*	**(1,206)**	(15,545)
Taxation	*6*	**–**	(2)
Loss for the period attributable to equity shareholders of the Company		**(1,206)**	(15,547)
Dividend	*7*	**–**	–
Loss per share (HK cents)	*8*		
– Basic		**(0.08)**	(0.97)

* *for identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	**30 June 2007** **(Unaudited)** **HK$'000**	31 December 2006 (Audited) HK$'000
Non-current assets			
Plant and equipment		**–**	265
Interests in associates		**–**	245
		–	510
Current Assets			
Trade receivables, rebates receivables, prepayments, deposits and other receivables	*9*	**1,302**	1,326
Amount due from an associate		**–**	874
Bank balances and cash		**1,331**	2,680
		2,633	4,880
Current liabilities			
Trade payables, accrued charges and other payables	*10*	**71,109**	71,536
Amount due to a director		**198**	198
Bank overdrafts and borrowings	*11*	**258,254**	259,378
		329,561	331,112
Net current liabilities		**(326,928)**	(326,232)
Net liabilities		**(326,928)**	(325,722)
Capital and reserves			
Share capital		**16,000**	16,000
Reserves		**(342,928)**	(341,722)
Capital deficiencies		**(326,928)**	(325,722)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
As at 1 January 2006	16,000	122,357	9,370	(292,324)	(144,597)
Loss for the period	–	–	3	(15,547)	(15,544)
As at 30 June 2006 (unaudited)	16,000	122,357	9,373	(307,871)	(160,141)
As at 1 January 2007	16,000	122,357	9,370	(473,449)	(325,722)
Loss for the period	–	–	–	(1,206)	(1,206)
As at 30 June 2007 (unaudited)	16,000	122,357	9,370	(474,655)	(326,928)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Net cash outflow from operating activities		
Cash used in operations	**(1,316)**	(43,188)
Interest paid	**–**	(13,586)
	(1,316)	(56,774)
Net cash inflow from investing activities		
Decrease in pledged bank deposits	**–**	43,797
Other investing cash flows	**1,091**	158
	1,091	43,955
Net cash outflow from financing activities	**(1,124)**	–
Net decrease in cash and cash equivalents	**(1,349)**	(12,819)
Cash and cash equivalents at beginning of the period	**(47,524)**	(14,100)
Cash and cash equivalents at end of the period	**(48,873)**	(26,919)
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**1,331**	1,222
Bank overdrafts	**(50,204)**	(28,141)
	(48,873)	(26,919)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2006.

(b) *Initial application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")*

The condensed consolidated financial statements are prepared using the historical cost basis.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited consolidated financial statements for the year ended 31 December 2006, except for the adoption of the following new standards, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are adopted for the first time in the current period:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the above new HKFRSs has had no material effect on the accounting policies of the Group in the condensed consolidated financial statements.

(c) *Impact of issued but not yet effective HKFRSs*

The Group has not applied the following new and revised standards and interpretations relevant to the condensed consolidated financial statements that have been issued but are not yet effective:

HKFRS 8	Operating Segments (1)
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions (2)
HK(IFRIC) – Int 12	Service Concession Arrangements (3)
HK(IFRIC) – Int 13	Customer Loyalty Programmes (4)
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction (3)
HKAS 23 (revised)	Borrowing costs (1)

(1) Effective for annual periods beginning on or after 1 January 2009
(2) Effective for annual periods beginning on or after 1 March 2007
(3) Effective for annual periods beginning on or after 1 January 2008
(4) Effective for annual periods beginning on or after 1 July 2008

The Directors anticipate that the application of these standards and interpretations will not result in substantial changes to the Group's accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

1. Basis of preparation and accounting policies *(Cont'd)*

(d) In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of its net liabilities of approximately HK$327 million as at 30 June 2007.

On 25 July 2007, the Company was notified by Mr. Kan Che Kin, Billy Albert ("Mr. Kan") that he had entered into the sale and purchase agreement with Mr. Yu Pen Hung ("Mr. Yu") (the then chairman of the Company and an executive Director) and E-Career Investments Limited, the then major shareholder of the Company holding 75% of the Company's issued share capital and a company wholly owned by Mr. Yu, in relation to the acquisition of 1,200,000,000 shares of the Company (the "Sale Shares") from E-Career Investments Limited for a consideration of HK$16,000,000. Completion of the acquisition of the Sale Shares took place on 25 July 2007. In August 2007, Mr. Kan acquired the bank overdrafts and borrowings due to the Group's bank creditors, which aggregate balance was approximately HK$256 million as at 12 December 2005, for a consideration of HK$30,300,000 by way of assignment. In September 2007, Mr. Kan acquired the amount due to Intel Semiconductor Limited ("Intel"), which balance was approximately US$7,567,000 as at 11 July 2006, for a consideration of US$840,000 by way of assignment.

Following the completion of the aforesaid debt assignments, the Group's indebtedness to the banks and Intel were assigned to Mr. Kan.

Mr. Kan became the Company's major shareholder who intends to maintain the listing status of the Company on the Stock Exchange and the Group will continue with its existing businesses. Mr. Kan was appointed as an executive Director and the chairman of the Company on 10 October 2007. The Directors are of the opinion that Mr. Kan will provide the necessary funding to the Group so that it will be able to continue with its existing businesses and to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the unaudited condensed consolidated financial statements have been prepared on a going concern basis.

2. Turnover and segment information

Turnover represents the aggregate of the net amounts received and receivable for goods sold to outside customers, less trade discounts and returns, for the Period.

(a) Business segments

The Group operated in the distribution of computer components and information technology products during the reporting periods. The Group's another business segment, provision of integrated e-enabling solutions, derived no turnover for both the reporting periods.

Segment information about these businesses is set out as follows:

	Distribution of computer components and information technology products		**Provision of integrated e-enabling solutions**		**Consolidated**	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**	
	2007	2006	**2007**	2006	**2007**	2006
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER						
External sales	**20,390**	32,319	**–**	–	**20,390**	32,319
SEGMENT RESULTS	**51**	(1,781)	**–**	(15)	**51**	(1,796)
Other operating income					**325**	–
Unallocated corporate expenses					**(954)**	(163)
Finance costs					**(9)**	(13,586)
Share of results of associates					**(245)**	–
Loss on disposal of interests in associates					**(374)**	–
Loss before taxation					**(1,206)**	(15,545)
Taxation					**–**	(2)
Loss for the period attributable to equity shareholders of the Company					**(1,206)**	(15,547)

2. Turnover and segment information *(Cont'd)*

(b) Geographical segments

The Group's operations are substantially located in Hong Kong and the People's Republic of China (the "PRC") throughout the current and prior periods. An analysis of the Group's segment information by geographical segments is set out as follows:

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Turnover by geographical market		
PRC	**–**	32,319
Hong Kong	**20,390**	–
	20,390	32,319

3. Cost of sales

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Cost of sales comprises:		
Cost of goods sold	**20,067**	23,295
Rebates	**–**	(32)
	20,067	23,263

4. Finance costs

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Interest on bank overdrafts and short-term bank borrowings wholly repayable within five years	**–**	13,245
Bank charges	**9**	341
	9	13,586

5. Loss before taxation

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Auditor's remuneration	**60**	–
Depreciation of plant and equipment	**–**	1,519
Gain on disposal of plant and equipment	**(324)**	–
Interest income	**(1)**	(158)

6. Taxation

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax:		
Current period	**–**	2

No provision for Hong Kong Profits Tax (2006: 17.5%) has been made in the condensed consolidated financial statements for the Period as the Group did not have any assessable profit.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both periods.

7. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. Loss per share

The calculation of the basic and diluted loss per share attributable to equity shareholders of the Company for the Period is based on the net loss for the Period of HK$1,206,000 (2006: HK$15,547,000) and on the 1,600,000,000 (2006: 1,600,000,000) shares of the Company in issue.

The calculation of diluted loss per share in both periods does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during both periods before the suspension of trading in shares of the Company in September 2006.

9. Trade receivables, rebates receivables, prepayments, deposits and other receivables

The credit terms of the Group range from 30 to 180 days.

	30 June 2007 ***(Unaudited)*** ***HK$'000***	31 December 2006 *(Audited)* *HK$'000*
Trade receivables	**506,884**	506,884
Less: Allowance for doubtful debts	**(506,884)**	(506,884)
	–	–
Rebates receivables	**–**	–
Prepayments, deposits and other receivables	**1,302**	1,326
	1,302	1,326

The rebates receivables include amount of HK$98,814,000 (31 December 2006 : HK$98,814,000) relating to an allowance for rebates receivables.

10. Trade payables, accrued charges and other payables

The aged analysis of trade payables as at 30 June 2007 and 31 December 2006 is as follows:

	30 June 2007 ***(Unaudited)*** ***HK$'000***	31 December 2006 *(Audited)* *HK$'000*
Trade payables aged over 1 year	**65,498**	65,498
Accrued charges and other payables	**5,611**	6,038
	71,109	71,536

Note: One of the major suppliers, Intel, served a statutory demand against the Group to recover the amounts due by the Group. In September 2007, the amount due to Intel was assigned to Mr. Kan. Details of the debt assignment are disclosed in note 1(d) to the condensed consolidated financial statements.

11. Bank overdrafts and borrowings

	30 June 2007 ***(Unaudited)*** ***HK$'000***	31 December 2006 *(Audited)* *HK$'000*
Bank overdrafts	**50,204**	50,204
Bank borrowings	**205,669**	205,669
Other loan	**2,381**	3,505
	258,254	259,378
Unsecured	**258,254**	259,378

The repayment term of bank overdrafts and borrowings have matured before the balance sheet date. The banks took legal action to recover the bank borrowings and overdrafts granted which was subsequently dismissed. In August 2007, the bank borrowings and overdrafts due to bank creditors were assigned to Mr. Kan. Details of the debt assignment are disclosed in note 1(d) to the condensed consolidated financial statements.

12. Capital commitments

The Group has entered into a shareholders' agreement with an independent third party to establish a joint venture in which the Group will invest approximately HK$39,000,000 to develop distributing channel of internet protocol television in the PRC.

13. Contingent liabilities

As at 30 June 2007, the Group did not have any significant contingent liabilities.

14. Litigations

(a) On 11 July 2006, Intel, a major supplier of the Group, made a statutory demand against the Company's wholly owned subsidiary, Artel Macao Commercial Offshore Limited ("Artel Macao"), demanding Artel Macao to repay approximately US$7,567,000 (the "Intel Debt") exclusive of interest and costs in respect of sums due and owing under the distribution agreements entered into between Intel and Artel Macao (the "Distribution Agreements"). On 16 August 2006, Intel made a statutory demand against the Company demanding the Company as guarantor to the Distribution Agreements to pay the Intel Debt (the "Guarantee Debt").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

14. Litigations *(Cont'd)*

(a) *(Cont'd)*

In December 2006, Intel, Fine Elite Limited ("Fine Elite"), a private company incorporated in the British Virgin Islands and a third party which is independent of the Group and is not connected with the Group, and the Company entered into the settlement deed and deed of assignment in the sum of approximately US$7,567,000 of the Intel Debt and Guarantee Debt conditional upon a due diligence of the Intel Debt and Guarantee Debt by Fine Elite and the resumption of trading in the Company's shares on the Stock Exchange, all within or before 31 December 2006. These deed of assignment and settlement deed were subsequently terminated as the aforementioned conditions could not be met.

The Intel Debt was subsequently assigned to Mr. Kan following the completion of the debt assignment as detailed in note 1(d) to the condensed consolidated financial statements.

(b) During the year 2006, two former employees of the Company brought claims numbered LBTC4162/2006 and LBTC4919/2006 against the Company, Artel e-Solutions Limited and Artel Industries Limited, both of them are wholly-owned subsidiaries of the Company, respectively at the Labour Tribunal claiming arrears of payroll in the aggregate sum of approximately HK$292,000. The claims amounted to HK$42,000 related to the second employee were subsequently settled. The remaining claims have not been settled as at the date of this report and the Group had provided for the liabilities in the consolidated financial statements during the year 2006.

(c) On 29 September 2006, A.Plus Financial Press Limited ("A.Plus") brought an action in District Court numbered DCCJ4897/2006 against the Company claiming the outstanding payable arising from provision of services to the Company together with the overdue interest charged thereon totalling of approximately HK$299,000. On 6 December 2006, the Company received a statutory demand pursuant to Section 327(4)(a) of the Companies Ordinance by A.Plus claiming the aforementioned payable and interest due aggregating approximately HK$334,000. On 15 November 2006, judgement was made against the Company. The Group paid HK$100,000 to A.Plus after the balance sheet date and had provided for the liabilities in the consolidated financial statements during the year 2006.

(d) On 4 October 2006, International Trademart Company Limited brought an action in the High Court under HCA221/2006 against Artel Industries Limited claiming the outstanding rent and other charges of approximately HK$120,000 together with the overdue interest charged thereon. The Group paid HK$40,000 to International Trademart Company Limited to fully settle this case after the balance sheet date.

14. Litigations *(Cont'd)*

(e) On 7 September 2006, the Company received a petition for winding up of the Company (the "Petition") dated 5 September 2006, by HSH Nordbank AG, Hong Kong Branch (the "Petitioner"), due to the reason that the Company was unable to repay the outstanding debts of approximately US$8,807,000 owed by two subsidiaries which the Company act as a guarantor, the hearing of which was scheduled for 1 November 2006 and a summons dated 6 September 2006 for an application by the Petitioner to appoint provisional liquidators of the Company was received by the Company on 7 September 2006. The application for appointment of provisional liquidators was subsequently withdrawn on 19 September 2006 by way of consent summons between the parties.

On 1 November 2006, which the Petition was scheduled to be heard, immediately before the hearing for the Petition, the solicitors for both the Petitioner and the Company signed the consent summons (the "Consent Summons") for dismissal of the Petition. However, as the Petition had already been advertised, the Master hearing the Petition did not have jurisdiction to order a dismissal of the Petition and had to adjourn the case to 6 November 2006 before the Companies Judge. On 6 November 2006, upon the agreement of the Company and the Petitioner, and there being no objecting creditors, the Companies Judge ordered the Petition to be dismissed and an order had been sealed on 10 November 2006.

The reason of dismissal was that the Petitioner, whom being one of the creditors of the Company, has entered into a debt assignment agreement (the "Agreement") with Fine Elite to assign the debt in the sum of approximately US$9 million owed by the Company to the Petitioner subject to certain conditions precedent including but not limited to the resumption in trading in the Shares on the Stock Exchange. The Agreement was entered into between the Petitioner and Fine Elite, which the Company was not a party to the Agreement. The Company had not entered into any term or arrangement with Fine Elite and the Company had not given any security or guarantee to the Petition over the debt.

In November 2006, the HSH Nordbank AG, Hong Kong Branch and other financial institutions (collectively the "Bank Creditors") entered into a debt acquisition agreement with Fine Elite pursuant to which each of the Bank Creditors agreed to assign all its right, title, interest and benefit in the relevant bank loan (the "Bank Loan") and all other rights under the corresponding loan documents owed by Artel Macao and Artel Industries Limited to Fine Elite, subject to certain conditions precedent. The debt acquisition agreement was subsequently terminated as those conditions could not be met.

The debts due to the Bank Creditors were subsequently assigned to Mr. Kan following the completion of the debt assignment as detailed in note 1(d) to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

15. Events after the balance sheet date

In July 2007, Mr. Kan acquired 75% of the then issued share capital of the Company from E-Career Investments Limited, a company wholly-owned by Mr. Yu. Details of the acquisition are disclosed in note 1(d) to the condensed consolidated financial statements. In October 2007, Mr. Kan, through CIMB-GK Securities (HK) Limited, made cash offers (the "Offers") to acquire all the issued shares of the Company (other than those already owned by him or parties acting in concert with him) and to cancel all the Company's outstanding share options (the "Share Options"). Details of the Offers are set out in the composite document of the Company dated 10 October 2007. During the Offers, two holders of the Share Options exercised their rights under the Share Options to subscribe for 2,330,000 shares of the Company. Holders of the Share Options to subscribe for 29,945,000 shares of the Company accepted the Offers. Following close of the Offers on 31 October 2007, Mr. Kan's interest in the Company's issued share capital increased to approximately 75.99% as at the date of this report. All outstanding Share Options as at 31 October 2007 have lapsed. It is the intention of Mr. Kan to place down his shareholding in the Company before the resumption of trading in the shares of the Company in order to maintain the 25% minimum public float as required in the Listing Rules.

In August 2007, Mr. Kan acquired the bank overdrafts and borrowings due to the Group's bank creditors, which aggregate balance was approximately HK$256 million as at 12 December 2005, for a consideration of HK$30,300,000 by way of assignment. In September 2007, Mr. Kan acquired the amount due to Intel, which balance was approximately US$7,567,000 as at 11 July 2006, for a consideration of US$840,000 by way of assignment.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF ARTEL SOLUTIONS GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 1 to 13, which comprises the condensed consolidated balance sheet of Artel Solutions Group Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PKF
Certified Public Accountants
Hong Kong

14 November 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

Working against the challenging period for the six months ended 30 June 2007, the Group was adversely affected by the lack of working capital from banks to finance its trading operation.

The Group recorded a loss of approximately HK$1,206,000 for the six months ended 30 June 2007. The Group's turnover for the six months ended 30 June 2007 amounted to HK$20,390,000. The Group recorded a gross profit of approximately HK$0.3 million for the six months ended 30 June 2007, representing a decrease of approximately 96% compared with that of 2006.

The Group is actively pursuing a number of e-enabling solution projects with higher profit margins. The Directors believe the Group will turnaround and restore to grow in the future.

Liquidity, financial resources and gearing ratio

The Group had total cash and bank balances of approximately HK$1.3 million as at 30 June 2007 (31 December 2006: approximately HK$2.7 million). Balance of bank overdrafts and short-term borrowings were approximately HK$258 million as at 30 June 2007 (31 December 2006: approximately HK$259 million). The short-term bank borrowings were applied to finance the purchase of inventory of the Group. The gearing ratio of the Group as at 30 June 2007 calculated as a ratio of total bank loans to total assets was approximately 9,808% (31 December 2006: approximately 4,812%). Net liabilities were approximately HK$327 million (31 December 2006: approximately HK$326 million).

The Group recorded total current asset value of approximately HK$2.6 million as at 30 June 2007 (31 December 2006: approximately HK$4.9 million) and total current liabilities value of approximately HK$330 million (31 December 2006: approximately HK$331 million). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was about 0.01 as at 30 June 2007 (31 December 2006: approximately 0.01).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

TREASURY POLICIES

The Group's major borrowings are in US dollars and HK dollars. All borrowings are based on LIBOR or Hong Kong best lending rates. The Group's bank borrowings were assigned to Mr. Kan after the balance sheet date and the Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitors foreign exchange and interest rate exposure and will consider hedging significant foreign currency and interest rate exposure should the need arise.

PLEDGE OF ASSETS

The Group had no pledged assets as at 30 June 2007.

INVESTMENTS

The Group had not held any significant investment for the six months ended 30 June 2007.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group disposed all its interests in three associated companies, namely Jet Fidelity Holdings Company Limited, Jet Fidelity Limited and Synergrator Logistics (HK) Limited, 30% of the issued share capital of each of them were held by the Group, in June 2007 at an aggregate of cash consideration of approximately HK$500,000, resulting in a loss on disposal of approximately HK$374,000 during the six months ended 30 June 2007. Save as disclosed, the Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2007.

SEGMENTAL INFORMATION

Details of segmental information for the six months ended 30 June 2007 are set out in Note 2 to the condensed consolidated financial statements.

STAFF AND REMUNERATION POLICIES

As at 30 June 2007, the Group had 2 employees (31 December 2006: 5 employees). The Group remunerated its employees mainly based on industry practice and individual's performance and experience.

Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance. Other benefits include retirement schemes.

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

Neither the Company nor any of its subsidiaries purchased or sold or redeemed any of the Company's listed securities during the Period.

SHARE OPTION SCHEME

The share option scheme (the "Option Scheme") of the Company was adopted pursuant to a resolution passed on 29 August 2001 for the purpose of recognition of the contribution from directors and eligible employees and others of the Group, and will expire in August 2011. Under the Option Scheme, the Board may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company (the "Shares").

On 30 May 2003, the shareholders of the Company resolved to make certain amendments to the Option Scheme. Under the amendments, (i) the Board may grant options to eligible participants in recognition of their contribution to the Group. Eligible participants are defined as any full-time or part-time employees of the Group (including any executive, non-executive and independent non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants and distributors of the Group who, in the sole discretion of the Board, have contributed or may contribute to the Group; and (ii) the options granted may be exercised at any time during a period to be determined and notified by the Board, such period may commence on a business day immediately after the date of acceptance and in any event shall not exceed the period of 10 years from a business day immediately after the date of acceptance subject to the provisions for early termination.

There was no option granted, exercised or lapsed during the six months ended 30 June 2007.

As at 30 June 2007, options to subscribe for 114,095,000 Shares granted under the Option Scheme remained outstanding, representing 7.1% of the issued share capital of the Company as at that date. Particulars of the outstanding share options (the "Share Options") granted and remained outstanding under the Option Scheme are as follows:

	Number of Shares to be subscribed under the outstanding Share Options as at 30 June 2007
Former employees	59,670,000
Principal buyers	43,680,000
Suppliers of services	10,745,000
Total	114,095,000

Date of grant	Exercise period	Number of Shares to be subscribed under the outstanding Share Options as at 30 June 2007	Exercise price per Share
			HK$
9 October 2003	10 October 2003 – 28 August 2011	69,095,000	0.3810
15 November 2004	16 November 2004 – 28 August 2011	45,000,000	0.2166

The fair value of the Shares at the above date of grant of the Share Options, being the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the trading day immediately preceding that day, were HK$0.38 and HK$0.21 respectively.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions

Ordinary Shares of HK$0.01 each of the Company

Name of Director	Capacity	Number of Shares held	Percentage of the issued share capital of the Company
Mr. Yu Pen Hung	Interest in controlled corporation	1,200,000,000 *(note)*	75%

Note: These Shares are held by E-Career Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Yu Pen Hung.

Save as disclosed above, none of the Directors or chief executives of the Company, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2007.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, in addition to those interests or short positions as disclosed above in respect of the Directors or chief executives of the Company, the following shareholder had notified the Company of relevant interests in 5% or more of the issued share capital of the Company:

Name	Number of Shares held	Approximate percentage of holding
E-Career Investments Limited *(note)*	1,200,000,000	75%

Note: The entire issued share capital of E-Career Investments Limited is beneficially owned by Mr. Yu Pen Hung. Both E-Career Investments Limited and Mr. Yu Pen Hung are therefore deemed to be interested in the 1,200,000,000 Shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2007.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2007.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.

CORPORATE GOVERNANCE REPORT

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007 except for the following deviations:

1. Under the Code Provision A.1.1, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the Period, due to the financial difficulties faced by the Group and resignation of some Directors, no Board meeting was held and therefore no minutes were prepared.

2. Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company are held by Mr. Yu Pen Hung. The Board believes that the holding both the positions of chairman and chief executive officer with the same person allows for more effective planning and execution of business strategies. Also, Mr. Yu possesses extensive valuable experience that is essential for the Group's operations. The Board has full confidence in Mr. Yu and believes that his dual roles will be beneficial to the Group.

3. Under the Code Provision A.3 and pursuant to Rule 3.10 of the Listing Rules, every Board must include at least three independent non-executive Directors. After the resignation of Dr. Liu James Juh and Ms. Hu Gin Ing during the Period, the Board only has one independent non-executive Director until the appointment of Mr. Li Siu Yui and Mr. Ip Woon Lai as independent non-executive Directors on 10 October 2007.

4. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company at least once every three years.

5. Under the Code Provision B.1.1, a remuneration committee should be established with specific written terms of reference which deal clearly with its authority and duties. The remuneration committee of the Company (the "Remuneration Committee") was formed in December 2005 which consisted of solely independent non-executive Directors. However, due to resignation of some independent non-executive Directors during the Period and the financial difficulties faced by the Group, the Remuneration Committee did not hold any meeting in the year 2006 and during the Period to discharge its responsibilities in accordance with its terms of reference which are set out in accordance with the requirements of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 June 2007.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Kan Che Kin, Billy Albert, Mr. Yu Pen Hung, Mrs. Kan Kung Chuen Lai, Ms. Li Shu Han, Eleanor Stella and Mr. Li Kai Yien, Arthur Albert, all being the executive Directors, Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong, all being the independent non-executive Directors.

On behalf of the Board
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 14 November 2007