The Quaypoint Corporation Limited
紀翰集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2330)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

The Board of Directors (the "Board") of The Quaypoint Corporation Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2006 together with the comparative figures. The unaudited condensed consolidated financial statements have been reviewed by the Company's auditors in accordance with the Hong Kong Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" and by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December

	Note	**2006** **(Unaudited)** ***RMB'000***	(Restated) 2005 (Unaudited) *RMB'000*
Turnover	*2*	**11,697**	104,450
Cost of sales		**(10,274)**	(99,708)
Gross profit		**1,423**	4,742
Other revenue	*2*	**806**	3,064
Other income	*2*	**4,597**	28
Distribution costs		**(34)**	(36)
Administrative expenses		**(11,913)**	(7,323)
Impairment loss on available-for-sale securities		**–**	(11,559)
Other operating expenses		**(4,039)**	(26)
Finance costs		**(4,713)**	(4,492)
Share of loss of an associate		**(33)**	–
Loss before taxation	*4*	**(13,906)**	(15,602)
Income tax	*5*	**(303)**	2,172
Loss attributable to equity shareholders		**(14,209)**	(13,430)
Loss per share			
Basic	*6*	**(RMB4.06 cents)**	(RMB3.84 cents)
Diluted	*6*	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 31 December 2006 (Unaudited) *RMB'000*	At 30 June 2006 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**2,649**	2,796
Property under development		**88,916**	72,285
Investment properties		**44,736**	–
Prepaid lease payment		**1,966**	1,987
Interest in an associate		**11,696**	–
Total non-current assets		**149,963**	77,068
Current assets			
Inventories		**11,166**	2,459
Financial assets at fair value through profit or loss		**1,908**	–
Trade receivables	*7*	**2,331**	1,679
Prepayments, deposits and other receivables		**15,807**	5,939
Cash and bank balances		**36,520**	96,765
Total current assets		**67,732**	106,842
Current liabilities			
Trade payables	*8*	**4,499**	2,642
Bills payable, secured	*8*	**2,879**	–
Provision, accruals and other payables		**34,815**	34,423
Receipts in advance		**7,532**	612
Due to a director		**–**	1,025
Current portion of interest-bearing borrowing		**–**	4,798
Short-term bank loans		**109,632**	97,912
Taxation payable		**2,567**	8,534
Total current liabilities		**161,924**	149,946
Net current liabilities		**(94,192)**	(43,104)
Total assets less current liabilities		**55,771**	33,964
Capital and reserves			
Ordinary share capital		**37,100**	37,100
Convertible redeemable preference shares		**147,742**	104,000
Reserves		**(129,071)**	(111,816)
Total equity		**55,771**	29,284
Non-current liabilities			
Interest-bearing borrowing		**–**	4,680
		55,771	33,964

NOTES

1. **Basis of Preparation**

These unaudited condensed consolidated financial statements have 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 accounting policies adopted are consistent with those adopted in the Group's annual financial statements for the year ended 30 June 2006, except that business segments have been reclassified as explained in Note 3. The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately RMB94,192,000. In addition, a PRC subsidiary has been involved in a claim by a PRC bank for guarantee which were allegedly given by that subsidiary to a third party without formal approval of the Group management. The sustainability of the Group as a going concern is dependent on its ability to successfully obtain adequate medium to long term financing to fund its operations before sufficient cash flows are generated from profitable operations and to favourably resolve the claim. 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) The Company has the option of requiring the subscriber to subscribe additional 100,000,000 convertible redeemable preference shares at HK$0.4 each if the need arises;

(b) The Company is in the process of negotiation for a restructuring of the short term bank loan of approximately RMB89,750,000 with the Bank of China, Shenzhen Branch and no immediate full repayment is required in short to medium term;

(c) The Company are liaising closely with lawyers in the PRC and the third parties concerned to actively address the claim of approximately RMB60,700,000 raised by the PRC bank and will actively defend the questionable claim; and

(d) The Company shall be able to raise additional funds in debt and/or by equity instrument as and when it is appropriate.

2. Turnover, Other Revenue and Other Income

Turnover, other revenue and other income consist of:

	For the six months ended 31 December	
		(Restated)
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Turnover		
– Revenue from sales of automation products and electronic components	**11,697**	104,450
	11,697	104,450
Other revenue		
– Bank interest income	**806**	64
– Unrealised gain on trust fund investments	**–**	3,000
	806	3,064
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	**54**	–
– Waiver of other loan, unsecured	**921**	–
– Others	**324**	28
	4,597	28
	17,100	107,542

3. Segment Information

To reflect the diversification of business activities of the Group, the Group has revised its business segment format. Formerly, the Group's businesses were classified into two segments, namely automation products, and project and technical services based on the product group and product similarities. For the period under review, the Group reclassified 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 as well as electronic components. Property investment segment comprises rental income arising from the Research and Development Centre in Shenzhen and the landed properties in Hong Kong. These segments reflect strategic planning for each business and are aimed at classifying the businesses based on their nature of operation. The comparative figures for the six months ended 31 December 2005 have been reclassified accordingly.

Primary reporting format – Business Segments

	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 attributable to equity shareholders					**(14,209)**

	For the six months ended 31 December 2005 (Reclassified)				
	Technology (Unaudited) *RMB'000*	Trading (Unaudited) *RMB'000*	Property investment (Unaudited) *RMB'000*	Unallocated (Unaudited) *RMB'000*	Consolidated (Unaudited) *RMB'000*
Turnover (restated)	359	104,091	–	–	104,450
Segment results	(251)	1,524	(20)	(12,363)	(11,110)
Finance costs					(4,492)
Loss before taxation					(15,602)
Income tax					2,172
Loss attributable to equity shareholders					(13,430)

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 (Restated)		**Total assets**		**Capital expenditure**	
	For the six months ended 31 December		**At 31 December**	At 30 June	**For the six months ended 31 December**	
	2006 (Unaudited) ***RMB'000***	2005 (Unaudited) *RMB'000*	**2006 (Unaudited)** ***RMB'000***	2006 (Unaudited) *RMB'000*	**2006 (Unaudited)** ***RMB'000***	2005 (Unaudited) *RMB'000*
PRC (including Hong Kong)	**11,697**	77,297	**205,999**	183,910	**17,159**	6,038
Malaysia	**–**	27,153	**–**	–	**–**	–
	11,697	104,450	**205,999**	183,910	**17,159**	6,038
Interest in an associate			**11,696**	–		
Total assets			**217,695**	183,910		

4. Loss Before Taxation

Loss before taxation is stated after charging the following:

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	**4,722**	2,764
Contributions to defined contribution plans	**261**	167
	4,983	2,931
Bad debts	**–**	366
Cost of inventories	**10,274**	99,708
Depreciation and amortisation (net of depreciation capitalised in property under development)	**570**	635
Impairment loss on available-for-sale securities	**–**	11,559
Loss on disposal of property, plant and equipment	**13**	26
Operating lease rentals of premises	**1,108**	687
Provision for obsolete and slow moving inventories	**–**	442
Unrealised loss on financial assets at fair value through profit or loss	**180**	–

5. Income Tax

Taxation charge in the condensed consolidated income statement

	For the six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current taxation		
– Hong Kong Profits tax	**303**	197
Over-provision in prior year		
– Hong Kong Profits tax	**–**	(2,369)
Tax expenses (credit)	**303**	(2,172)

6. Loss Per Share

The calculation of basic loss per share for the six months ended 31 December 2006 is based on the consolidated loss attributable to equity shareholders of approximately RMB14,209,000 (2005: RMB13,430,000) and the weighted average number of 350,000,000 shares (2005: 350,000,000 shares) in issue during the period. No diluted loss per share is presented as there were no dilutive potential ordinary shares in issue during the six months ended 31 December 2006 and 2005.

7. Trade Receivables

Trade receivables consisted of:

	31 December	30 June
	2006	2006
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**23,515**	23,841
Less: Provision for doubtful debts	**(21,184)**	(22,162)
	2,331	1,679

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

	31 December 2006 (Unaudited) *RMB'000*	30 June 2006 (Audited) *RMB'000*
Trade receivables		
0 – 60 days	**507**	909
61 – 90 days	**668**	97
91 – 365 days	**493**	141
Over 365 days	**663**	532
	2,331	1,679

8. Trade Payables and Bills Payable

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

	31 December 2006 (Unaudited) *RMB'000*	30 June 2006 (Audited) *RMB'000*
Trade payables		
0 – 60 days	**1,856**	864
61 – 90 days	**748**	–
91 – 365 days	**199**	25
Over 365 days	**1,696**	1,753
	4,499	2,642
Bills payable		
0 – 60 days	**2,879**	–

DIVIDEND

The Directors do not recommend any payment of interim dividends for the six months ended 31 December 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 31 December 2006, the Group's unaudited turnover was greatly decreased to approximately RMB11.7 million when compared with the corresponding period of year 2005 of approximately RMB104.5 million. It was mainly due to the loss of key customers on the trading of automation products resulting from a setback in the Group's image over certain unexpected incidents suffered by the Group in year 2006. Moreover, the revenue of approximately RMB6 million from the technology project business has not been booked-in for the period pending completion of relevant testing. The unaudited loss attributable to equity shareholders was increased to approximately RMB14.2 million as compared to a loss of approximately RMB13.4 million of the correspondence period of last year. During the period, the Company has successfully accomplished the first phase of recovery to solidify its financial position. After tedious months of negotiations, the Company has resolved the major litigation issues involving the alleged guarantees given by the Group. Now we can move confidently into the next phase of revamping our business growth. The Company intends to focus on three major business fronts: technology, trading and property investment.

Technology (formerly classified under Project and Technical Services segment)
The Group has redefined its programmable logic controller ("PLC") automation business strategy. With its proprietary products and availability of its in-house qualified technical team, the Group intends to concentrate on the provision of its own products including project work and consultancy services in particular for the environmental and energy industries. During the period, the Group has entered into contracts with aggregate sum of about RMB30 million for the provision of technical services for certain energy related companies. No turnover on this segment was recognized during the period pending completion of relevant testing on this new project. It is anticipated that the project will be completed before the financial year ending 30 June 2007.

Trading
In view of the Group's expansion in trading business, the distribution of imported automation products on non-project base was reclassified under Trading segment starting from the period under review. The unaudited turnover of this segment for the period under review was drastically decreased by about 88.8% to approximately RMB11.7 million when compared with the corresponding period of year 2005. As mentioned above, it was mainly due to the loss of key customers resulting from a setback in the Group's image over certain unexpected incidents suffered by the Group in year 2006. In the distribution of imported automation products, there are little profit margins left as original equipment suppliers are making direct inroad to the market by setting up their own logistics and are no longer offering attractive price incentive to local distributors. Unless there are significant changes in their marketing policy, imported automation products will be sourced and supplied to the customers as part of the items of project work. However, through the technology business referrals, we are in close contacts with the electric and electronic technology industries. As a result, apart from the automation business, we are able to expand our trading activities into laminate products and related industries' raw material. We have also set up an export division for the sales and export of local electronic products and components.

In its trading business of natural resources, the Group has made a breakthrough in reaching a consensus with a major local supplier and the local authority for a long-term solution that is beneficial to all parties in overcoming technicalities for the supplies and shipments of natural resources from Indonesia. Two shipments of iron ore fine of approximately US$3 million (RMB23 million) under a term contract have been made to the buyer in February 2007. In regard of the supplies of coal, negotiations with the supplier are in progress and barring any unforeseen circumstances, trial shipments of coal are expected to commence in May 2007.

Property investment
During the period, the Group has completed the purchase of a company having a portfolio of seven units of commercial property in Hong Kong and it has almost completed the facade and interior fixtures of the Research and Development Centre ("R&D Centre") in Shenzhen. The properties are expected to give stable rental return for the Group in the coming future.

Liquidity and Financial Resources
At 31 December 2006, the total assets of the Group were RMB217,695,000, an increase by approximately 18.4% as compared to 30 June 2006. At 31 December 2006, the Group had total borrowings of RMB109,632,000 (30 June 2006: RMB107,390,000), approximately RMB89.7 million of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group for a period of six months (i.e. during the first half of year 2007) in order to allow the bank to restructure the outstanding debt into a loan secured against the R&D Centre. Currently, the Group is making periodic principal repayments to the bank and will continue to make repayment in accordance with the finalized debt restructure proposal. At 31 December 2006, the gearing ratio, expressed as a percentage of total borrowings over total

assets, was approximately 50.4% (30 June 2006: 58.4%). At 31 December 2006, the total cash and bank balances of the Group amounted to approximately RMB36,520,000 (30 June 2006: RMB96,765,000). The Group's net current liabilities was approximately RMB94,192,000 (30 June 2006: RMB43,104,000) and the current ratio was about 0.42 (30 June 2006: 0.71). 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. Taking into account of the broadening of the revenue base, the finalization of the debt restructuring proposal, the option right granted to the Company on the subscription of additional 100 million convertible redeemable preference shares at HK$0.4 each and the anticipated fund raising activities, 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.

Capital Structure, bank borrowings and exposure to fluctuations in exchange rates

In December 2006, the Company issued 110,000,000 convertible redeemable preference A shares at HK$0.4 each being payment of consideration for the acquisition of Weina Land Limited. During the six months ended 31 December 2006, there was no change in the issued ordinary share capital of the Company. Details of the share capital are set out in note 17 to the unaudited interim financial statements. At 31 December 2006, the Group's bank borrowings of approximately RMB110 million was on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of around RMB89.7 million bears fixed interest rate whilst the loan of HK$20 million (approximately RMB19.88 million) bears prevailing market rate. There are no known seasonal factors in our borrowing profiles.

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the period under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instrument has been used for hedging purposes.

Contingent liabilities

At 31 December 2006, the Company had given corporate guarantee to a PRC bank for securing the term loan granted to a PRC subsidiary and the outstanding loan balance was approximately RMB89,750,000. Moreover, guarantee for the outstanding loan balance of approximately RMB60.7 million, together with interest, was allegedly provided by that PRC subsidiary for securing the loan borrowed by a third party, Shenzhen Ji Hai Industrial Company.

Charge on Assets

At 31 December 2006, the Group's certain landed properties in Hong Kong with an aggregate net carrying value of approximately RMB14 million (30 June 2006: nil) were pledged to a local bank for securing a revolving loan granted to a subsidiary of the Company.

Employee and Remuneration policies

For the six months period ended 31 December 2006, the Group has recorded staff costs of approximately RMB5 million (2005: RMB2.9 million), represented 72% increase when compared with the corresponding period of year 2005. The number of staff has increased from 53 employees (as at 31 December 2005) to 74 employees (as at 31 December 2006). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market prices and his/her contributions to the Group. Incentive schemes comprised of discretionary bonus and other merit payments to reward employees based on performance are also offered. Other employee benefits include mandatory provident fund and medical benefits for its employees in Hong Kong and similar benefits for its employees in the PRC.

Prospect

The unexpected litigation and incidents issues have adversely affected the image and business of the Group in year 2006. The new management has conducted thorough investigation on the relevant incidents and issues with the assistance of the professional parties. It has also liaised and negotiated with the concerned parties and creditors on the settlement of the litigation issues and dealt with the downturn of the business. In order to address the decline in turnover as affected by the incidents, the Group took actions in a timely manner to improve the Company's standing in the marketplace by the raising of new funds to improve its financial position, the settlement of the dispute with the contractor in respect of the construction of the Company's R&D Centre, the injection of income generating Hong Kong properties and the diversification of the Group's business activities. As mentioned above, the Group intends to focus on three major business fronts: technology, trading and property investment.

In the technology sector, the Group will focus and actively engage in the promotion and marketing of its own PLCs as well as engineering project in energy and environmental conservation. The Group's PLCs can be tailored to customers' needs to provide a sophisticated control and monitoring system. In the new R&D Centre, more space will be allotted to the research and development division to provide comprehensive facilities for the development and production of the Group's own automation products and provision of project work and consultancy services. Barring any unforeseen policy change or overheating of the China economy, the Group is positive of the potential development as China is increasing its drive on manufacturing for export, investing in basic industries and in training personnel to operate automation plants.

In order to broaden its scope of business and with the experience of the new management, the Company has started its trading business in natural resources and electronic components for PCB products and will expand its activity to include sales and export of electronic products to the emerging markets. The management believes that there is still a market for such electrical, electronic products and technologies at competitive pricing and product quality. Having said that, the management is cautious about its approach on rapid expansion of this business sector.

From the second half of the financial year ending 30 June 2007, the Company shall receive stable property rental income from the Hong Kong commercial properties acquired by the Group during the period under review. On the other hand, the R&D Centre which is estimated for occupancy before the end of April 2007 will also generate steady property rental income for the Group. To further strengthen the financial position of the Group, the Company intends to exercise the option to raise further amount of HK$40 million by requesting the relevant subscriber to subscribe for additional 100 million convertible redeemable preference shares pursuant to the relevant subscription and option agreement. The Company may also consider the raising of additional funds, as and when it is appropriate, to cater for the future expansion of the Group.

In view of the incidents as disclosed previously, the Company's shares trading has been suspended since mid March 2006. With the completion of the investigation, settlement of the litigation issues and the improvement of the Group's financial position, the Company is seeking for resumption of trading in its shares. The management believes that the resumption of trading in its shares is pivotal for the Group to re-establish its image and provide more opportunities for quality assets expansion and business growth of the Group.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions which set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the period under review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by the directors of the Company and its subsidiaries in the securities of the Company and its associated companies. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code set out in Appendix 10 to the Listing Rules and the Company's own code of conduct throughout the period from 1 July 2006 to 31 December 2006.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM ACCOUNTS

The Audit Committee currently comprises three independent non-executive directors and a non-executive director of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the Group's unaudited interim financial accounts for the six months ended 31 December 2006 (the "Interim Accounts"). The Interim Accounts have also been reviewed by the Company's external auditors, Moores Rowland Mazars, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports".

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2006.

By Order of the Board
Chan Siu Chu, Debby
Director & Chief Executive Officer

28 March 2007

As at the date of this announcement, the Board of Directors of the Company comprises four Executive Directors, namely Dr. SZE Kwan, Mr. SIEK Fui, Ms. CHAN Siu Chu, Debby and Mr. LIU Ping, one Non-executive Director, namely Mr. Gerard MCMAHON and three Independent Non-executive Directors, namely Mr. LAU Sai Chung, Mr. NG Kwok Chu, Winfield and Mr. POON Lai Yin, Michael.

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.