



**GFT HOLDINGS LIMITED**

**真樂發控股有限公司**

*(incorporated in Bermuda with limited liability)*

*(於百慕達註冊成立之有限公司)*

**(stock code 股份代號 : 1003)**



Interim Report 中期報告

**2006**

The board of directors (the “Board”) of GFT Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2006 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	Six months ended 30 June	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Revenue	3	55,356	61,339
Cost of sales		(51,447)	(46,010)
Gross profit		3,909	15,329
Other income		522	247
Distribution costs		(2,513)	(3,021)
Administrative expenses		(11,648)	(9,234)
Gain on disposal of subsidiaries	13	355	—
Finance costs		(394)	(41)
(Loss) profit before taxation		(9,769)	3,280
Income tax expense	4	—	(275)
(Loss) profit for the period	5	(9,769)	3,005
Attributable to			
— Equity holders of the Company		(9,512)	2,802
— Minority interests		(257)	203
		(9,769)	3,005
(Loss) earnings per share			
— Basic	7	(0.60) cent	0.18 cent
— Diluted	7	N/A	0.18 cent

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	<i>Notes</i>	<b>30 June 2006</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2005 <b>HK\$'000</b> <b>(audited)</b>
<b>Non-current Assets</b>			
Property, plant and equipment	8	64,243	65,021
Prepaid lease payments			
— non-current portion		8,552	8,698
Goodwill		5,733	5,733
Club debenture		220	220
		<b>78,748</b>	<b>79,672</b>
<b>Current Assets</b>			
Prepaid lease payments			
— current portion		188	180
Inventories		17,874	8,767
Trade and other receivables	9	27,754	45,619
Taxation recoverable		1,057	—
Bank balances and cash		10,794	6,044
		<b>57,667</b>	<b>60,610</b>
<b>Current Liabilities</b>			
Trade and other payables	10	29,360	29,604
Amounts due to related companies		13,709	13,420
Taxation payable		320	1,734
Borrowings	11	11,365	1,750
Obligations under finance leases		1,735	1,656
		<b>56,489</b>	<b>48,164</b>
<b>Net Current Assets</b>		<b>1,178</b>	<b>12,446</b>
<b>Total Assets less Current Liabilities</b>		<b>79,926</b>	<b>92,118</b>

## CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

At 30 June 2006

	<i>Notes</i>	<b>30 June 2006</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2005 HK\$'000 (audited)
<b>Capital and Reserves</b>			
Share capital	12	15,785	15,785
Reserves		59,995	69,861
Equity attributable to equity holders of the Company		75,780	85,646
Minority interests		1,128	1,546
		<b>76,908</b>	87,192
<b>Non-current Liabilities</b>			
Borrowings		292	1,312
Obligations under finance leases		2,726	3,614
		<b>3,018</b>	4,926
		<b>79,926</b>	92,118

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserves	Convertible		Accumulated profits	Total	Minority interests	Total
				notes	equity reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2005	15,285	33,124	2,099	262	—	21,114	71,884	5,685	77,569
Profit for the period	—	—	—	—	—	2,802	2,802	203	3,005
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(3,292)	(3,292)
Shares issued at premium	500	2,069	—	(262)	—	—	2,307	—	2,307
At 30 June 2005	15,785	35,193	2,099	—	—	23,916	76,993	2,596	79,589
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	1,399	—	1,399	—	1,399
Released on disposal of subsidiaries	—	—	—	—	—	—	—	(1,961)	(1,961)
Profit for the period	—	—	—	—	—	7,254	7,254	911	8,165
At 31 December 2005	15,785	35,193	2,099	—	1,399	31,170	85,646	1,546	87,192
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	(354)	—	(354)	—	(354)
Released on disposal of subsidiaries	—	—	—	—	—	—	—	(161)	(161)
Loss for the period	—	—	—	—	—	(9,512)	(9,512)	(257)	(9,769)
At 30 June 2006	15,785	35,193	2,099	—	1,045	21,658	75,780	1,128	76,908

The capital reserves represent the difference between the nominal value of the share capital issued by the Company in exchange for the aggregate of the nominal value of the issued share capital of a former subsidiary which was acquired by the Company pursuant to a group reorganisation in 1994.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

### Six months ended 30 June

	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Net cash used in operating activities	(178)	(1,290)
Net cash used in investing activities		
Purchase of property, plant and equipment	(2,242)	(19,434)
Payment for prepaid lease payments	—	(3,275)
Other investing cash flows	(374)	17
Disposal of subsidiaries	(242)	—
Proceeds from disposal of investments held for trading	—	8,336
	(2,858)	(14,356)
Net cash from (used in) financing activities		
Repayment of borrowings	(1,020)	—
Repayment of obligations under finance leases	(809)	—
Dividend paid to minority shareholders	—	(3,292)
Raise of borrowings	9,615	—
	7,786	(3,292)
Net increase (decrease) in cash and cash equivalents	4,750	(18,938)
Cash and cash equivalents at beginning of the period	6,044	29,348
Cash and cash equivalents at end of the period, represented by bank balances and cash	10,794	10,410

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

## 3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments.

### For the six months ended 30 June 2006

	Toy products trading and manufacturing HK\$'000	Consumer products trading and manufacturing HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Revenue	52,809	2,547	—	55,356
Segment result	(6,801)	(423)	—	(7,224)
Other income				52
Unallocated corporate expenses				(2,924)
Gain on disposal of subsidiaries				355
Finance costs				(28)
Loss before taxation				(9,769)
Income tax expense				—
Loss for the period				(9,769)

### 3. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2005

	Toy products trading and manufacturing HK\$'000	Consumer products trading and manufacturing HK\$'000	Securities trading and investments HK\$'000	Consolidated HK\$'000
Revenue	50,606	2,397	8,336	61,339
Segment result	3,725	(460)	2,862	6,127
Other income				247
Unallocated corporate expenses				(3,053)
Finance costs				(41)
Profit before taxation				3,280
Income tax expense				(275)
Profit for the period				3,005

### 4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax or tax in other jurisdictions has been made for the current period as neither the Company nor any of its subsidiaries had any assessable profit subject to tax for the six months ended 30 June 2006.

Income tax expense for the six months ended 30 June 2005 represented Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit.

No provision for deferred taxation has been recognized in the financial statements as the amount involved is insignificant.

### 5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	2,649	1,504
Release of prepaid lease payments	94	75
Interest on borrowings	181	—
Interest on finance leases	213	—
Interest on convertible notes	—	41
Interest income	(20)	(71)



## 6. DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the equity holders of the Company is based on the following data:

### (Loss) earnings

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
(Loss) profits for the period attributable to equity holders of the Company for the purposes of basic (loss) earnings per share	(9,512)	2,802
Effect of dilutive potential ordinary shares: Interest on convertible notes		41
Earnings for the purposes of diluted earnings per share		2,843

### Number of shares

	Six months ended 30 June	
	2006 Number of shares '000	2005 Number of shares '000
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	1,578,540	1,561,689
Effect of dilutive potential ordinary shares in respect of share options		2,509
Effect of dilutive potential ordinary shares in respect of convertible notes		16,851
Weighted average number of ordinary shares for the purposes of diluted earnings per share		1,581,049

No diluted loss per share for the six months ended 30 June 2006 has been presented as the exercise of share options would result in a decrease on loss per share.

## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$2,242,000 (30 June 2005: HK\$1,341,000).

## 9. TRADE AND OTHER RECEIVABLES

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

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
0 to 60 days	9,226	19,345
61 to 90 days	1,604	5,031
over 90 days	7,974	11,008
	<b>18,804</b>	<b>35,384</b>

## 10. TRADE AND OTHER PAYABLES

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

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
0 to 60 days	9,518	6,566
61 to 90 days	3,215	5,694
over 90 days	6,362	5,357
	<b>19,095</b>	<b>17,617</b>

## 11. BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately HK\$9,615,000. The loans bear interest at market rates and are repayable within one year. The proceeds were used to finance the working capital of the Group.

## 12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each At 1 January 2006 and 30 June 2006	50,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each At 1 January 2006 and 30 June 2006	1,578,540	15,785

## 13. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of its certain subsidiaries. The net liabilities of the subsidiaries at the date of disposal, 22 June 2006, were as follow:

	HK\$'000
Net liabilities disposed of	(144)
Minority interests	(161)
	(305)
Gain on disposal	355
Total consideration satisfied by cash	50
Net cash outflow arising on disposals:	
Cash consideration	50
Bank balances and cash disposed of	(292)
	(242)

The subsidiaries disposed of during the period did not have any significant impact to the cash flows, revenue and results of the Group for the period.

## 14. CONTINGENT LIABILITIES

On 8 October 2004, Mr. Kwok Chin Wing, a former director of the Company, commenced legal proceedings against the Company in respect of the loans due from two former subsidiaries of the Company, namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK\$44.5 million and accrued interest thereof (the "Action").

#### 14. CONTINGENT LIABILITIES (continued)

The Action is still pending in the High Court of Hong Kong SAR. The parties to the Action had completed discovery of all documentary evidence and also exchanged witness statements as to facts. In July 2006, Mr. Kwok applied for substantial amendments to his Re-Re-Amended Statement of Claim for joinder of party and joinder of causes of action against the former director and chairman of the Company, Mr. Chan Sheung Wai. It is opinion of Counsel and Senior Counsel acting for the Company that such amendments would only delay the fair trial of the Action without improving the Plaintiff's case and the Company is going to resist such amendment application by Mr. Kwok and proceed with the trial of the Action as soon as possible. Having reviewed all the evidence disclosed in the Action and with the benefit of the advice of Solicitors, Counsel and Senior Counsel acting for the Company, the directors of the Company formed the opinion that Mr. Kwok does not have a valid claim against the Company notwithstanding the outcome of the amendment application and therefore it is unlikely to have any material adverse financial impact on the Group.

#### 15. COMMITMENTS

At 30 June 2006, the Group had commitment in respect of expenditure on property, plant and equipment of approximately HK\$2,180,000 (31 December 2005: HK\$1,651,000) contracted but not provided for in the financial statements.

#### 16. RELATED PARTIES TRANSACTIONS

During the period, the Group had the following transactions with related parties:

Related party	Nature of transactions	Six months ended 30 June	
		2006 HK\$'000	2005 HK\$'000
General Fast Trading Limited (note)	Sales of goods	84	339
	Purchase of goods	—	36
Force Electronics (Huizhou) Limited (note)	Transfer of land use right	—	7,500

Note: Mr. Leung Wai Ho and Mr. Wong Chung Shun, the executive directors of the Company have beneficial interests.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATION REVIEW

Toy products trading and manufacturing remains as the core business of the Group and recorded a revenue of HK\$52.8 million during the review period, representing a slight increase of 4.3% when compared with last corresponding period. Adhering to the Group's business strategy of focusing on toy business, revenue generated by other segments during the review period is HK\$2.5 million only, contributing less than 5.0% of the consolidated revenue.

The Group continues to consolidate and streamline the operations in its self-owned flagship manufacturing plant in Boluo, Huizhou so as to enhance productivity. After having its own production plant, efficiency is uplifted by more controllable delivery schedule, workflow and products quality when compared with leaning upon outside sub-contractors. However, the betterment is curtailed by the intensified price competition, soaring material and operation cost, unstable utilities supplies and labour shortage in Mainland China. The management is exercising stringent cost control, exploring new products and markets and taking other cautious measures to combat the downturn.

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Among the various means to preserve the Group's competitiveness is to divest non-performing business. During the period, the Group disposed of its entire interests in a non-wholly owned subsidiary, Thunder Force Limited, which is engaged in the trading and manufacturing of electronic components and has been suffered from loss over the past years.

## PROSPECTS

Because of the seasonal factors of toy industry, sales in the second half of the year will generally be greater. Nevertheless, as the unfavourable factors are still hovering, the remaining year is expected to be challenging. Apart from further tightening the cost and expenses of its core operations, the management is actively searching for business and enterprises in toy-related business with good potential and in lucrative niche with a view to secure growth in scales, profitability and returns to the shareholders.

## FINANCIAL REVIEW

### REVIEW OF RESULTS

The Group reported revenue of approximately HK\$55.4 million for the six months ended 30 June 2006, representing a decrease of HK\$6.0 million or 9.8% when compared with that of last corresponding period. The decline in revenue was mainly attributable to the inactiveness of securities trading and investments business during the review period, which generated revenue of HK\$8.3 million in last corresponding period.

Gross profit dropped by HK\$11.4 million from HK\$15.3 million to HK\$3.9 million when compared with last corresponding period. The substantial decrease in gross profit was partly due to non-contributing securities trading which recorded gross profit of HK\$2.9 million during the same period in last year. Whilst, certain unfavourable factors impacting the toy business, including severe price competition, escalating material cost, wages and other direct production cost, were the greater reasons. The low level of gross profit was insufficient to cover the expense and as a consequence the Group suffered from loss attributable to equity holders of HK\$9.5 million in the current period.

### LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2006, total borrowings of the Group amounted to HK\$16.1 million (31 December 2005: HK\$8.3 million), of which HK\$13.1 million (31 December 2005: 3.4 million) was repayable within one year. The borrowings included an unsecured loan of HK\$2.0 million (31 December 2005: HK\$3.0 million), obligations under finance leases of HK\$4.5 million (31 December 2005: HK\$5.3 million) and secured bank loan of HK\$9.6 million (31 December 2005: nil).

The gearing ratio, expressed as the percentage of total liability over equity attributable to the equity holders of the Company, of the Group at 30 June 2006 was 78.5% (31 December 2005: 62.0%). The increase was due to, on one hand, the new secured bank loan in HK\$9.6 million obtained to finance the working capital of the Group and, on the other hand, the reduction in equity resulted from the loss incurred by the Group during the review period.

## CHARGES ON ASSETS

At 30 June 2006, certain property, plant and equipment and land use right amounted to HK\$31.4 million (31 December 2005: HK\$6.0 million) were pledged to banks for loans and finance leases granted to the Group.

## EXPOSURE TO EXCHANGE RATES

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi. As Hong Kong dollars is pegged to United States dollars and the fluctuation in the exchange rate between Hong Kong dollars and Renminbi is relatively mild, the Group's exposure to foreign currency risk is minimal and thus has not undertaken any hedging activity during the period under review.

## CONTINGENT LIABILITIES

The Group has no material contingent liabilities save that a writ of summons dated 8 October 2004 was filed by Mr. Kwok Chin Wing, a former director of the Company, against the Company in respect of the loans due from two former subsidiaries of the Company for a sum of approximately HK\$44.5 million together with related interests (the "Action").

The parties to the Action had completed discovery of all documentary evidence and also exchanged witness statements as to facts. In July 2006, Mr. Kwok applied for substantial amendments to his Re-Re-Amended Statement of Claim for joinder of party and joinder of causes of action against the former director and chairman of the Company, Mr. Chan Sheung Wai. It is opinion of Counsel and Senior Counsel acting for the Company that such amendments would only delay the fair trial of the Action without improving the Plaintiff's case and the Company is going to resist such amendment application by Mr. Kwok and proceed with the trial of the Action as soon as possible. Having reviewed all the evidence disclosed in the Action and with the benefit of the advice of Solicitors, Counsel and Senior Counsel acting for the Company, the directors of the Company formed the opinion that Mr. Kwok does not have a valid claim against the Company notwithstanding the outcome of the amendment application and therefore it is unlikely to have any material adverse financial impact on the Group.

## EMPLOYEES

As at 30 June 2006, the Group had approximately 2,200 employees (30 June 2005: 2,100) in Hong Kong and the PRC.

To attract, retain and motivate its employees, the Group has developed effective remuneration policies that are subject to review on regular basis. The Group's employees are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognize the outstanding employees.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the six months ended 30 June 2006 (30 June 2005: Nil).

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2006, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:



(a) Long positions in ordinary shares of the Company (the “Shares”)

Name of Director	Number of Shares held			Percentage of issued share capital
	Beneficial owner	Controlled corporate	Total	
Leung Wai Ho (“Mr. Leung”)	22,500,000	330,560,000 <i>(note 1)</i>	353,060,000	22.4%
Wong Chung Shun (“Mr. Wong”)	22,500,000	330,560,000 <i>(note 2)</i>	353,060,000	22.4%

*Notes:*

1. The Shares were held by Charm Management Limited, a wholly-owned subsidiary of New Spread Investments Limited. Each of Excel Advance Holdings Limited, Good Achieve Holdings Limited and Grand Achieve Group Limited is interested in one-third of the issued share capital of New Spread Investments Limited. As Mr. Leung owns the entire interest in Excel Advance Holdings Limited and 50% of the issued share capital of Grand Achieve Group Limited, he is deemed to be interested in 330,560,000 Shares held by Charm Management Limited.
2. As Mr. Wong owns the entire interest in Good Achieve Holdings Limited and 50% of the issued share capital of Grand Achieve Group Limited, he is deemed to be interested in 330,560,000 Shares held by Charm Management Limited.

(b) Long positions in the share options of the Company

Name of Director	Nature of interest	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options outstanding at 1.1.2006 and 30.6.2006	Number of underlying shares
Mr. Leung	personal interest	1.12.2004	31.12.2004 to 30.12.2006	0.0676	1,278,540	1,278,540
Mr. Wong	personal interest	1.12.2004	31.12.2004 to 30.12.2006	0.0676	1,278,540	1,278,540
Ha Kee Choy, Eugene	personal interest	1.12.2004	31.12.2004 to 30.12.2006	0.0676	1,278,540	1,278,540
Chui Chi Yun, Robert	personal interest	1.12.2004	31.12.2004 to 30.12.2006	0.0676	1,278,540	1,278,540
Lam Kwok Cheong	personal interest	1.12.2004	31.12.2004 to 30.12.2006	0.0676	1,278,540	1,278,540
Lai Wing Leung, Peter	personal interest	1.12.2004	31.12.2004 to 30.12.2006	0.0676	1,278,540	1,278,540

Save as disclosed above, as at 30 June 2006, none of the directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the interests and short positions of those persons, other than the directors and chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of shareholders	Note	Number of Shares held		Percentage of issued share capital
		Direct interest	Deemed interest	
Charm Management Limited		330,560,000	—	20.9%
New Spread Investments Limited	1	—	330,560,000	20.9%
Excel Advance Holdings Limited	1	—	330,560,000	20.9%
Good Achieve Holdings Limited	1	—	330,560,000	20.9%
Grand Achieve Group Limited	1	—	330,560,000	20.9%
Tokyo Unique (Hongkong) Limited		194,800,000	—	12.3%
Tokyo Unique Co., Ltd.	2	—	194,800,000	12.3%
Takeaki Maeda	2	—	194,800,000	12.3%
Lam William Ka Chung	3	18,000,000	66,652,970	5.4%
Lam Wong Yuk Sin, Mary	4	—	84,652,970	5.4%

Notes:

- Each of Excel Advance Holdings Limited, Good Achieve Holdings Limited and Grand Achieve Group Limited is interested in one-third of the issued share capital of New Spread Investments Limited, which in turn owns the entire interest in Charm Management Limited. Therefore, each of Excel Advance Holdings Limited, Good Achieve Holdings Limited, Grand Achieve Group Limited and New Spread Investments Limited is deemed to be interested in 330,560,000 Shares.
- Tokyo Unique (Hongkong) Limited is owned as to 67% by Tokyo Unique Co., Ltd., which in turn is controlled by Mr. Takeaki Maeda. Thus, both Tokyo Unique Co., Ltd. and Mr. Takeaki Maeda are deemed to be interested in 194,800,000 Shares.
- Mr. Lam William Ka Chung ("Mr. Lam") beneficially owns 18,000,000 Shares and is deemed to have corporate interest in 66,652,970 Shares held by Kingsway Lion Spur Technology Limited ("KLST"), an indirect non-wholly owned subsidiary of Kingsway International Holdings Limited which in turn is a company beneficially owned or controlled as to 40% by Mr. Lam and his spouse, Mrs. Lam Wong Yuk Sin, Mary ("Mrs. Lam")
- Mrs. Lam is deemed to be interested in 84,652,970 Shares, of which 18,000,000 Shares are beneficially owned by Mr. Lam and 66,652,970 Shares are held by KLST.

Save as disclosed above, as at 30 June 2006, the Company has not been notified of any interests or short positions in the Shares or underlying shares of the Company representing 5 percent or more in the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO.

## SHARE OPTIONS

The following table shows the particular of the share options of the Company granted to the directors of the Company and employees of the Group pursuant to the share options scheme adopted by the Company on 17 September 2004:

	<b>Date of grant</b>	<b>Exercisable Period</b>	<b>Exercise price per share HK\$</b>	<b>Number of share options outstanding at 1.1.2006 and 30.6.2006</b>
Directors	1 December 2004	31 December 2004 to 30 December 2006	0.0676	7,671,240
Employees	1 December 2004	31 December 2004 to 30 December 2006	0.0676	51,141,600
Others	1 December 2004	31 December 2004 to 30 December 2006	0.0676	43,470,360
				102,283,200

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Company has complied with the code provision set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006 except for the deviation from A.4.1 of the CG Code that none of the existing non-executive directors is appointed for specific term. However, as the directors are subject to the retirement by rotation provisions under the bye-laws of the Company, the Company considers that sufficient measures have been in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

The Company has adopted the Model Code as its own code of conduct regarding securities transaction by the directors. Having made specific enquiry, all directors confirmed that they fully complied with the Model Code throughout the review period.

## REVIEW OF INTERIM RESULTS

The unaudited condensed interim results for the six months ended 30 June 2006 of the Group has been reviewed by the audit committee of the Company.

By Order of the Board  
**Leung Wai Ho**  
*Chairman*

Hong Kong, 22 September 2006

# 真樂發

 GFT HOLDINGS LIMITED  
真樂發控股有限公司