



**GFT HOLDINGS LIMITED**  
*(incorporated in Bermuda with limited liability)*

2007

Interim Report

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 2007 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited and restated)
<b>Continuing operations</b>			
Turnover	3	69,345	52,809
Cost of sales		(68,408)	(49,370)
Gross profit		937	3,439
Other income		851	521
Distribution costs		(857)	(2,513)
Administrative expenses		(12,644)	(10,754)
Loss on assignment of an amount due from a subsidiary	6(b)	(68,599)	—
Gain on disposal of subsidiaries	14	20,343	—
Finance costs	6(a)	(408)	(394)
Loss before taxation		(60,377)	(9,701)
Taxation	4	—	—
Loss for the period from continuing operations		(60,377)	(9,701)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	5	—	(68)
<b>Loss for the period</b>	6	<b>(60,377)</b>	<b>(9,769)</b>
<b>Attributable to:</b>			
Equity holders of the Company		(59,831)	(9,512)
Minority interests		(546)	(257)
<b>Loss for the period</b>		<b>(60,377)</b>	<b>(9,769)</b>
<b>Loss per share</b>			
From continuing and discontinued operations	8		
Basic		(6.17 cents)	(1.51 cents)
From continuing operations			
Basic		(6.17 cents)	(1.50 cents)

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Notes	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	240	52,551
Goodwill		4,201	4,201
Prepaid lease payments		—	3,327
Club debenture		—	220
		<b>4,441</b>	60,299
<b>Current assets</b>			
Inventories		—	7,175
Trade and other receivables	11	32,128	32,648
Current portion of prepaid lease payments		—	72
Bank balances and cash		16,545	7,136
Tax recoverable		516	196
		<b>49,189</b>	47,227
Non-current assets classified as held for sale	9	—	19,127
		<b>49,189</b>	66,354
<b>Current liabilities</b>			
Trade and other payables	12	10,202	42,532
Current portion of interest-bearing borrowings		—	8,800
Current portion of obligations under finance leases		—	1,813
		<b>10,202</b>	53,145
Liabilities associated with non-current assets classified as held for sale	9	—	2,093
		<b>10,202</b>	55,238
<b>Net current assets</b>		<b>38,987</b>	11,116
<b>Total assets less current liabilities</b>		<b>43,428</b>	71,415

## CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

At 30 June 2007

	Notes	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Long-term obligations under finance leases		—	1,801
		—	1,801
<b>NET ASSETS</b>		<b>43,428</b>	69,614
<b>Capital and reserves</b>			
Share capital	13	<b>28,367</b>	19,536
Reserves		<b>14,216</b>	48,616
<b>Equity attributable to equity holders of the Company</b>			
		<b>42,583</b>	68,152
Minority interests		<b>845</b>	1,462
<b>TOTAL EQUITY</b>		<b>43,428</b>	69,614

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	Share options reserve	Translation reserve	Accumulated profits (losses)	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006	15,785	35,193	2,099	—	1,399	31,170	85,646	1,546	87,192
Exchange difference on translation of financial statements of overseas subsidiaries 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
At 1 January 2007	19,536	48,848	2,099	—	3,109	(5,440)	68,152	1,462	69,614
Released on disposal of subsidiaries	—	—	—	—	(3,109)	—	(3,109)	(71)	(3,180)
Loss for the period	—	—	—	—	—	(59,831)	(59,831)	(546)	(60,377)
Issue of shares upon placement of shares	8,500	25,500	—	—	—	—	34,000	—	34,000
Equity settled share-based payment transactions	—	—	—	2,282	—	—	2,282	—	2,282
Issue of shares upon exercise of share options	331	2,435	—	(913)	—	—	1,853	—	1,853
Share issue expense	—	(764)	—	—	—	—	(764)	—	(764)
At 30 June 2007	28,367	76,019	2,099	1,369	—	(65,271)	42,583	845	43,428

The capital reserve represents 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 to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(29,877)	(178)
Net cash used in investing activities	(4,079)	(2,858)
Net cash from financing activities	43,294	7,786
Net increase in cash and cash equivalents	9,338	4,750
Cash and cash equivalents at beginning of the period	7,207	6,044
<b>Cash and cash equivalents at end of the period</b> , represented by bank balances and cash	<b>16,545</b>	<b>10,794</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

## 1. BASIS OF PREPARATION

These condensed consolidated 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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2006.

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in preparing these condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2006.

## 3. SEGMENT INFORMATION

### Business segments

During the six months ended 30 June 2007, the Group is principally engaged in toy products trading and manufacturing. An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30 June 2007		
	Toy products trading and manufacturing (Note a) HK\$'000	Securities trading and investments (Note b) HK\$'000	Consolidated HK\$'000
Turnover	69,345	—	69,345
Segment results	(76,245)	—	(76,245)
Other income			134
Unallocated operating expenses			(4,201)
Gain on disposal of subsidiaries			20,343
Finance costs			(408)
Loss before taxation			(60,377)
Taxation			—
Loss for the period			(60,377)

### 3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2006 (restated)

	Continuing operations		Discontinued operation		Consolidated HK\$'000
	Toy products trading and manufacturing	Securities trading and investments (Note b)	Total	Consumer products trading and manufacturing (Note c)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	52,809	—	52,809	2,547	55,356
Segment results	(6,801)	—	(6,801)	(423)	(7,224)
Other income			52	—	52
Unallocated operating expenses			(2,924)	—	(2,924)
Gain on disposal of subsidiaries			—	355	355
Finance costs			(28)	—	(28)
Loss before taxation			(9,701)	(68)	(9,769)
Taxation			—	—	—
Loss for the period			(9,701)	(68)	(9,769)

Notes:

- Upon the disposal of GFT Holding Limited and its subsidiaries, the operation of manufacturing of toy products was terminated in June 2007.
- The operation of securities trading and investments has been dormant since May 2005.
- The consumer products trading and manufacturing operation was discontinued in June 2006.

#### Geographical segments

An analysis of the Group's turnover for the period by geographical segments is as follows:

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Japan	42,277	25,595
People's Republic of China ("PRC")	13,594	13,152
Hong Kong	9,465	11,002
Taiwan	1,362	3,461
Singapore	932	721
Europe	830	917
Others	885	508
	<b>69,345</b>	<b>55,356</b>



#### 4. TAXATION

No provision for Hong Kong Profits Tax or tax in other jurisdictions has been made for the six months ended 30 June 2007 as neither the Company nor any of its subsidiaries had any assessable profit subject to tax during the period (six months ended 30 June 2006: nil).

No deferred tax asset has been recognised in respect of the unused tax losses of the Group due to the unpredictability of future profit streams.

#### 5. DISCONTINUED OPERATION

On 22 June 2006, the Group disposed two non-wholly owned subsidiaries which manufacture and trade electronic components and were a separate business segment of the Group. The results of the discontinued operation up to the date of disposal are as follows:

	Six months ended 30 June 2006 HK\$'000
<b>Loss for the period from discontinued operation</b>	
Revenue	2,547
Gain on disposal of subsidiaries	355
Expenses	(2,970)
Loss before taxation	(68)
Taxation	—
Loss for the period from discontinued operation	(68)

#### 6. LOSS FOR THE PERIOD

(a) This is stated after charging (crediting):

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
<b>Finance costs</b>		
Interest on bank loans and other borrowings wholly repayable within five years	314	181
Finance charges on obligations under finance leases	94	213
<b>Other items</b>		
Cost of inventories	68,408	51,447
Depreciation on property, plant and equipment	1,925	2,649
Amortisation on prepaid lease payments	63	94
Interest income	(96)	(20)

(b) The amount represented the loss on assignment of an amount due from Great Force Technology Limited, one of the subsidiaries of GFT Holding Limited, upon the disposal of GFT Holding Limited during the six months ended 30 June 2007 (details of which is set out in Note 14).

## 7. DIVIDENDS

No dividends were paid during the period. The Board does not recommend payment of interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

## 8. LOSS PER SHARE

### (a) For continuing and discontinued operations

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Loss for the period attributable to equity holders of the Company for the purpose of basic loss per share	<b>(59,831)</b>	(9,512)
	<b>Number of shares '000</b>	Number of shares '000 (restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>969,013</b>	631,416

Notes:

The number of shares for the six months ended 30 June 2007 was adjusted to reflect the share consolidation of every five shares of HK\$0.01 each of the Company into two shares of HK\$0.025 each which became effective on 6 March 2007. Comparative figures have been restated accordingly.

No diluted loss per share has been presented as the exercise of the share options would result in decrease on loss per share.

## 8. LOSS PER SHARE (continued)

### (b) For continuing operations

The calculation of the basic loss per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Loss for the period attributable to equity holders of the Company	(59,831)	(9,512)
Less: Loss for the period from discontinued operation	—	67
Loss for the purpose of basic loss per share from continuing operations	(59,831)	(9,445)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

### (c) For discontinued operation

Basic loss per share for discontinued operation for the six months ended 30 June 2006 is HK0.01 cent per share, based on loss for the period from the discontinued operation of HK\$67,000 and the denominators detailed above for the basic loss per share from continuing and discontinued operations.

## 9. NON-CURRENT ASSETS HELD FOR SALE

On 23 November 2006, the Company entered into an agreement with an independent third party to dispose of all its equity interest in Good Prosper Trading Limited ("GPTL") and its subsidiaries ("GPTL Group") and the amount due from GPTL for an aggregate consideration of HK\$20,000,000. The principal assets held by GPTL Group are land use rights in respect of parcels of land situated in the PRC. The assets and liabilities of GPTL Group were classified as held for sale as at 31 December 2006. The disposal was completed on 28 June 2007 with a deferred consideration of HK\$16,000,000, details of which is set out in Note 11(b).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group, through the disposal of its subsidiaries, disposed certain property, plant and equipment with an aggregate carrying value of approximately HK\$50,477,000. There is no addition of property, plant and equipment during the six months ended 30 June 2007 (six months ended 30 June 2006: HK\$2,242,000).

## 11. TRADE AND OTHER RECEIVABLES

	Notes	30 June 2007 HK\$'000	31 December 2006 HK\$'000
<b>Trade receivables</b>	(a)	<b>11,141</b>	23,006
<b>Other receivables</b>			
Deposits, prepayments and other receivables		<b>4,987</b>	9,642
Promissory note receivable	(b)	<b>16,000</b>	—
		<b>20,987</b>	9,642
		<b>32,128</b>	32,648

- (a) The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The ageing analysis of trade receivables as of the balance sheet date is as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
0 to 60 days	<b>10,074</b>	10,851
61 to 90 days	<b>342</b>	3,803
Over 90 days	<b>725</b>	8,352
	<b>11,141</b>	23,006

- (b) The amount represents the deferred consideration receivable from Sky Hawk International Limited, the purchaser of GPTL. The amount due is interest free, due on 31 December 2007 and secured by the entire issued share capital of GPTL.

## 12. TRADE AND OTHER PAYABLES

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
<b>Trade payables</b>	<b>2,034</b>	20,099
<b>Other payables</b>		
Accrued charges and other creditors	<b>6,608</b>	17,606
Due to related companies	<b>1,560</b>	4,827
	<b>8,168</b>	22,433
	<b>10,202</b>	42,532

The ageing analysis of trade payables as at the balance sheet date is as follows:

	30 June 2007 HK\$'000	31 December 2006 HK\$'000
0 to 60 days	<b>854</b>	5,540
61 to 90 days	<b>117</b>	836
Over 90 days	<b>1,063</b>	13,723
	<b>2,034</b>	20,099

### 13. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<b>Authorised:</b>		
Ordinary shares		
At 1 January 2006 and 31 December 2006, at HK\$0.01 each	50,000,000	500,000
Share consolidation (note a)	(30,000,000)	—
At 30 June 2007, at HK\$0.025 each	20,000,000	500,000
<b>Issued and fully paid:</b>		
Ordinary shares		
At 1 January 2006, at HK\$0.01 each	1,578,540	15,785
Issue of shares upon placing of shares (note b)	300,000	3,000
Issue of shares upon exercise of share options (note c)	75,142	751
At 31 December 2006, at HK\$0.01 each	1,953,682	19,536
Share consolidation (note a)	(1,172,209)	—
Issue of shares upon placing of shares (note d)	340,000	8,500
Issue of shares upon exercise of share options (note e)	13,234	331
At 30 June 2007, at HK\$0.025 each	1,134,707	28,367

#### Notes:

- (a) Pursuant to a special resolution passed in a special general meeting of the Company on 5 March 2007, every five issued and unissued shares of HK\$0.01 each in the capital of the Company were consolidated into two shares of HK\$0.025 each (the "Shares") with effect from 6 March 2007.
- (b) Pursuant to a placing and subscription agreement dated 11 October 2006, the placing agent agreed to place 300,000,000 shares of the Company held by Charm Management Limited ("Charm"), a substantial shareholder of the Company, at a placing price of HK\$0.04 per share. The Company also agreed to allot and issue 300,000,000 shares of the Company to Charm at a subscription price of HK\$0.04 per share. On 25 October 2006, 300,000,000 shares of HK\$0.01 each were issued and allotted to Charm at a consideration of HK\$0.04 per share.
- (c) During the year ended 31 December 2006, 75,141,600 shares of HK\$0.01 each were issued and allotted at the exercise price of HK\$0.049 per share pursuant to the options granted under the share option scheme of the Company.

### 13. SHARE CAPITAL (continued)

- (d) Pursuant to a placing agreement dated 24 January 2007 (as amended by a supplemental agreement dated 9 February 2007), 220,000,000 Shares and 120,000,000 Shares were issued and allotted at a consideration of HK\$0.10 per Share on 14 March 2007 and 11 April 2007 respectively.
- (e) During the six months ended 30 June 2007, 13,233,984 Shares were issued and allotted at the exercise price of HK\$0.14 per Share pursuant to the options granted under the share option scheme of the Company.

All the Shares issued during the period rank pari passu with the existing Shares in all respect.

### 14. DISPOSAL OF SUBSIDIARIES

On 22 June 2006, the Group disposed of its entire interest in two 51% owned subsidiaries, Thunder Force Limited and Thunder Tech Electronic Co., Limited. The Group discontinued its consumer products business at the time of disposal of these subsidiaries on 22 June 2006.

On 28 June 2007, the Group disposed of its entire interest in GFT Holding Limited and its subsidiaries which were principally engaged in the manufacturing and trading of toy products. Upon the disposal, the Group ceased its operation of manufacturing of toy products.

The disposal of GPTL Group (details of which is set out in Note 9) was completed on 28 June 2007.

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net liabilities disposed of by the Group	<b>(14,455)</b>	(144)
Minority interests	<b>(71)</b>	(161)
Translation reserve released	<b>(3,109)</b>	—
	<b>(17,635)</b>	(305)
Gain on disposal of subsidiaries		
Continuing operations	<b>20,343</b>	—
Discontinued operation (Note 5)	—	355
Total consideration satisfied by cash	<b>2,708</b>	50
Net cash outflow arising on disposal:		
Cash consideration	<b>2,708</b>	50
Bank balances and cash disposed of	<b>(6,884)</b>	(292)
	<b>(4,176)</b>	(242)

## 15. RELATED PARTIES TRANSACTIONS

The Group had the following transactions with related parties:

Related party relationship	Nature of transactions	Six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Companies under common control by executive directors and shareholders of the Company	Administrative expenses paid:		
	— security	155	283
	— staff welfare	128	—
	— transportation	52	9
		<b>335</b>	292
	Sales of goods	—	84

## 16. CONTINGENT LIABILITIES

On 8 October 2004, Mr. Kwok Chin Wing ("Kwok"), 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").

The Action is still pending in the High Court of Hong Kong SAR. The Company had already completed discovery of all documentary evidence and exchange of witness statements as to the fact pursuant to the directions of the Court and also obtained Counsel's advice on the pleadings, evidence and merit of defence in the Action. The Company was ready to proceed with the trial of the Action since early 2006.

However, Kwok took out applications in the Action in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim (the "Amendment Application") and joinder of party to the Action (the "Joinder Application"). The Amendment Application and the Joinder Application had substantially delayed the setting down of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007. The newly joined party has filed his Defence to Kwok's claims in the Action and the Company has also made consequential amendments to its Defence. The parties are now working on the proper directions for the further conduct of the Action. Notwithstanding the substantial amendments made to the Re-Re-Amended Statement of Claim and the joining of a new party to the Action, the Solicitors and Counsel acting for the Company still hold good of their advice previously delivered to the Company. With the benefit of the advice of Solicitors and Counsel acting for the Company, the directors of the Company formed the opinion that Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.



## 17. POST BALANCE SHEET EVENTS

- (a) On 24 January 2007, the Company entered into a note placing agreement (as amended by the supplemental note placing agreement dated 9 February 2007 and the second supplemental note placing agreement dated 28 May 2007) whereby the placing agent agreed to procure subscribers to subscribe for the convertible notes in an aggregate principal amount of HK\$34,000,000 to be issued by the Company (the "Convertible Notes"). The issue of the Convertible Notes was approved by the shareholders of the Company in special general meetings held on 5 March 2007 and 28 June 2007. The Convertible Notes were issued on 23 July 2007 and are interest free, due on 23 July 2009 and carrying right to convert the outstanding principal amount into Shares at a conversion price of HK\$0.10 per Share (subject to adjustments). Details of the Convertible Notes are set out in the circulars dated 14 February 2007 and 11 June 2007 issued by the Company.

On 9 August 2007, holder of the Convertible Notes with principal amount of HK\$10,000,000 exercised the conversion rights and 100,000,000 Shares were issued and allotted in accordance with the terms of the Convertible Notes.

- (b) On 14 August 2007, the Company entered into a placing and subscription agreement with Charm and Kingston Securities Limited ("Kingston") whereby Kingston agreed to place 70,000,000 Shares held by Charm at a placing price of HK\$0.128 per Share and the Company agreed to allot and issue 70,000,000 Shares to Charm at a subscription price of HK\$0.128 per Share (the "Top-up Placing"). On 20 August 2007, 70,000,000 Shares were issued and allotted to Charm. The net proceeds will be used for general working capital purpose.

On the same date, the Company entered into a conditional placing agreement with Kingston whereby Kingston agreed to place up to 150,000,000 new Shares of the Company on a best effort basis at a placing price of HK\$0.128 per Shares (the "Placing"). The Placing has yet been completed at the date of this Report but, if all the conditions stipulated in the placing agreement would be fulfilled, shall be completed on or before 28 September 2007 or such later date as may be agreed between the Company and Kingston.

Details of the Top-up Placing and the Placing are set out in the announcement of the Company dated 14 August 2007.

## 18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Operation Review

The Group continues its streamlining process during the review period. Following the discontinuation of the secondary consumer products business last year, the Group successfully discarded its unused assets and underperformed investments in June 2007. The process is inevitably painful as the Group suffered from substantial losses and downsizing but is justified as the management and financial resources of the Group were relieved from those detrimental businesses to viable operations.

Come with the streamlining exercise, the Group ceased to have any contribution from the consumer products trading and manufacturing segment and remains inactive in the securities trading and investments segment. Toy products trading and manufacturing thus became the only active segment in the review period. Turnover in this segment boosted by 31.3% to HK\$69.3 million when compared with last corresponding period as the subsidiary which engages in the trading of toy, gift and premium successfully secured certain new customers with sizable orders during the review period.

### Material Disposal of Subsidiaries

#### *Good Prosper Trading Limited*

The Company entered into an agreement in November 2006 to dispose of its entire equity interest in and the amount due from Good Prosper Trading Limited ("GPTL"), the principal assets of which are the land use rights in respect of parcels of adjacent lands situated at Boluo, Huizhou and the infrastructure erected thereon (the "GPTL Disposal") to an independent third party, Sky Hawk International Limited ("Sky Hawk"), for an aggregate consideration of HK\$20 million. HK\$2 million was paid by Sky Hawk upon signing of the agreement and the balance was to be settled on completion.

However, at the request of Sky Hawk, the payment terms for the outstanding consideration of HK\$18 million were revised pursuant to a supplemental agreement entered into between the Company and Sky Hawk. According to the supplemental agreement, Sky Hawk paid a further sum of HK\$2 million and delivered to the Company a promissory note with a principal amount of HK\$16 million which is interest free, due on 31 December 2007 and secured by the entire issued share capital of GPTL ("PN") on 28 June 2007, the completion date.

The deferred consideration payable by Sky Hawk in HK\$16 million constitutes an advance to an entity under Rule 13.13 of Listing Rules. Details of the GPTL Disposal and the terms of the PN are set out in the circular dated 11 December 2006 and the announcement dated 29 June 2007 issued by the Company.

#### *GFT Holding Limited*

On 16 April 2007, the Group enter into an agreement to dispose of its entire interest in and amount due from GFT Holding Limited and its subsidiaries (the "Disposal Group"), a sub-group of the Company engaged in toy manufacturing at Boluo, Huizhou and toy trading, to a company beneficially owned by Mr. Leung Wai Ho, the Chairman of the Company, and Mr. Wong Chung Shun, the Deputy Chairman of the Company, at an aggregate consideration of HK\$2 (the "GFT Disposal").

The GFT Disposal constituted a major disposal and connected transaction for the Company under the Listing Rules and was approved by the independent shareholders of the Company in a special general meeting held on 28 May 2007.

The completion of GFT Disposal took place on 28 June 2007, upon which the obligations of the Company as a corporate guarantor under the banking facilities granted to the Disposal Group has been released by the bank and the Company ceased its operation in manufacturing of toy products.

#### Prospects

After the GPTL Disposal and GFT Disposal, the Group has asset base with greater flexibility and currently focuses on the trading of toy, gift and premium. The management is cautiously optimistic on this business as, on one hand, it is a niche in which the management team has proven record and able to secure more orders from both new and existing customers even in this tough market conditions. But, on the other hand, the market remains competitive and the involvement of the historic low cost PRC suppliers which in turn suffer from the persisting unfavourable factors in the PRC still poses awful concerns to the Group.

Equipped with the fund raised from recent new share placements and convertible note placement, the management is diligently searching for promising strategic investments with attractive potential of growth and profitability and is confident that the Group will sail through the difficult period and poise to embark on the next era of expansion and prosperity.

## FINANCIAL REVIEW

### Review of Results

The Group reported revenue of approximately HK\$69.3 million for the six months ended 30 June 2007, representing an increase of HK\$16.5 million or 31.3% when compared with that of last corresponding period. The surge is attributable to the increased orders from both the existing and new customers of the trading of toy, gift and premium business during the review period.

Nevertheless, the unfavourable factors hampering the toy manufacturing operation in the PRC, including the lasting inflation in wages and material costs and the appreciation of Renminbi, kept on eroding the margin and profits of the Group before its disposal during the review period. The profits margin was at a low level of approximately HK\$0.9 million, being a drop of HK\$2.5 million when compared with same period in last year.

The Group maintained to keep the expenses at a relatively consistent level. However, because of the GPTL Disposal and GFT Disposal, the Group wrote off of an amount due from the disposed subsidiary of HK\$68.6 million which was partially covered by the associated gain from disposal of subsidiaries of HK\$20.3 million. The fair value of the share options granted during the period of HK\$2.3 million as computed and recognised as an expense under the provisions of new accounting standard was another item not appearing in last review period. Consequently, the Group suffered from loss attributable to equity holders of HK\$59.8 million for the six months ended 30 June 2007.

### Liquidity and Financial Resources

Following the GPTL Disposal and GFT Disposal, the Group ceased to have any borrowings as at 30 June 2007 (31 December 2006: total borrowings of HK\$12.4 million, including a secured bank loan of approximately HK\$8.8 million and obligations under finance leases of HK\$3.6 million, of which HK\$10.6 million was repayable within one year).

Subsequent to the period end, the Group issued convertible notes in an aggregate principal amount of HK\$34.0 million (the "Convertible Notes") on 23 July 2007. The Convertible Notes are interest-free, due on 23 July 2009 and carrying rights to convert the outstanding principal amounts into shares of the Company at a conversion price of HK\$0.1 per share (subject to adjustments).

The Group maintained sufficient working capital as at 30 June 2007 with net current assets of HK\$39.0 million (31 December 2006: HK\$11.1 million) and bank balances and cash of HK\$16.5 million (31 December 2006: HK\$7.1 million). Gearing ratio, expressed as the percentage of total liability over equity attributable to equity holders of the Company, of the Group was 24.0% (31 December 2006: 83.7%).

### Charges on Assets

As at 30 June 2007, none of the Group's assets was under charges (31 December 2006: certain building, land use right and plant and machinery with carrying values of HK\$38.0 million, HK\$3.4 million and HK\$4.8 million respectively were pledged to banks to secure the bank 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. The Group's exposure to United States dollars currency risk is minimal as Hong Kong dollars is pegged to United States dollars. Nevertheless, as Renminbi is becoming more volatile, the Group's operations and performances might thus be affected. Presently, the Group does not have any currency hedging policy but will closely monitor the fluctuation of Renminbi exchange rate and take appropriate measures to minimise any adverse impact that may be caused by such fluctuation.

### 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 ("Kwok"), 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 accrued interests thereof (the "Action").

The Company had already completed discovery of all documentary evidence and exchange of witness statements and was ready to proceed with the trial since early 2006. However, Kwok took out applications in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim (the "Amendment Application") and joinder of party to the Action (the "Joinder Application"). The Amendment Application and the Joinder Application had substantially delayed the setting down of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007. The newly joined party has filed his Defence to Kwok's claims in the Action and the Company has also made consequential amendments to its Defence. The parties are now working on the proper directions for the further conduct of the Action. Notwithstanding the substantial amendments made to the Re-Re-Amended Statement of Claim and the joining of a new party to the Action, the solicitors and counsel acting for the Company still hold good of their advice previously delivered to the Company. With the benefit of the advice of solicitors and counsel acting for the Company, the directors of the Company formed the opinion that Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

## Employees

As at 30 June 2007, the Group had 11 employees (30 June 2006: approximately 2,200). The substantial decrease in the number of staff during the review period is attributable to the disposal of the Disposal Group (as detailed in the section under the heading "Material Disposal of Subsidiaries") which employs over 2,000 workers and staff 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 recognise the outstanding employees.

## OTHER INFORMATION

### Interim Dividend

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

### Directors' Interests in Securities

As at 30 June 2007, the interests and short positions of the directors and chief executive of the Company and their associates 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")) were as follows:

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")	9,000,000	132,224,000 (note 1)	141,224,000	12.4%
Wong Chung Shun ("Mr. Wong")	9,000,000	132,224,000 (note 2)	141,224,000	12.4%

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 132,224,000 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 132,224,000 Shares held by Charm Management Limited.

Save as disclosed above, as at 30 June 2007, none of the directors or chief executive of the Company and their associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

### Substantial Shareholders

As at 30 June 2007, 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 kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of shareholders	Notes	Number of Shares held		Percentage of issued share capital
		Direct interest	Deemed interest	
Charm Management Limited		132,224,000	—	11.7%
New Spread Investments Limited	1	—	132,224,000	11.7%
Excel Advance Holdings Limited	1	—	132,224,000	11.7%
Good Achieve Holdings Limited	1	—	132,224,000	11.7%
Grand Achieve Group Limited	1	—	132,224,000	11.7%
Galaxy China Opportunities Fund		64,360,000	—	5.7%
Tokyo Unique (Hongkong) Limited		57,920,000	—	5.1%
Tokyo Unique Co., Ltd.	2	—	57,920,000	5.1%
Takeaki Maeda	2	—	57,920,000	5.1%

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 132,224,000 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 57,920,000 Shares.

Save as disclosed above, as at 30 June 2007, the Company has not been notified of any interests or short positions in the Shares or underlying shares of the Company representing five percent or more in the issued share capital of the Company and recorded in the register to be kept by the Company under Section 336 of the SFO.

### Share Options

Movement in the share options of the Company during the six months ended 30 June 2007 were as follows:

	Date of grant	Exercisable period	Exercise price (note 1) HK\$	Number of share options			Balance as at 30.6.2007
				Balance as at 1.1.2007	Granted during the period (note 1, 2)	Exercised during the period (note 3)	
Employees	13 January 2007	13 January 2007 to 12 January 2009	0.140	—	19,850,976	—	19,850,976
Others	13 January 2007	13 January 2007 to 12 January 2009	0.140	—	13,233,984	13,233,984	—
				—	33,084,960	13,233,984	19,850,976

Notes:

- The exercise price and number of share options granted during the review period were adjusted to reflect the share consolidation of every five shares of HK\$0.01 each of the Company into two shares of HK\$0.025 each which became effective on 6 March 2007.



2. The closing price of the shares of the Company immediately before the date on which the options were granted during the period was HK\$0.145 per share (after adjusting for the share consolidation detailed above).
3. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK0.223 per share.

### Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2007, 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 to the Listing Rules throughout the six months ended 30 June 2007 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 audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited condensed financial information of the Group for the six months ended 30 June 2007.

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

Hong Kong, 10 September 2007