

National Investments

NATIONAL INVESTMENTS FUND LIMITED

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1227)



INTERIM REPORT
2007

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Corporate Information

DIRECTOR

Executive Directors

Mr. Wong Danny F. (*Chairman*)

(Appointed on 21 May 2007)

Mr. Wu Tse Wai, Frederick

(*Chief Executive Officer*)

Mr. Fong Chi Wah

Mr. Tam Wai Keung, Billy

(Resigned on 22 May 2007)

Non-executive Director

Ms. Yang XiaoFeng

(Appointed on 21 May 2007)

Independent Non-executive Directors

Ms. Tam Heung Man

(Appointed on 29 June 2007)

Mr. Char Shik Ngor, Stephen

(Appointed 22 May 2007)

Mr. Fung Kwok Leung

(Appointed on 22 May 2007)

Mr. Liu Jin

(Appointed on 21 May 2007)

Mr. Wong Che Man, Eddy

(Resigned on 16 May 2007)

Mr. Lam Yuk Lau

(Resigned on 16 May 2007)

Mr. Tang King Fai, Kelvin

(Resigned on 22 May 2007)

COMPANY SECRETARY

Mr. Lee Ping Kai

(Appointed on 1 August 2007)

Ms. Cheng Yuk Yan

(Appointed on 22 May 2007 and
resigned on 1 August 2007)

Mr. Kwan Kei Chor

(Resigned on 21 May 2007)

AUDIT COMMITTEE

Mr. Liu Jin

Mr. Char Shik Ngor, Stephen

Mr. Fung Kwok Leung

AUDITORS

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

PRINCIPAL BANKER

Wing Hang Bank, Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Suite 1907, 19th Floor

Office Tower Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

CUSTODIAN

Bank of Communications Trustee Limited

Room 301

Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited:

1227

WEBSITE

www.nif-hk.com

Management Discussion and Analysis



The board of directors (the “Board”) of National Investments Fund Limited (formerly known as China Financial Industry Investment Fund Limited) (the “Company”) is pleased to announce the unaudited condensed interim results of the Company for the six months ended 30 June 2007. These interim condensed financial statements have not been audited, but have been reviewed by the Company’s Audit Committee.

CHANGE OF COMPANY NAME

Pursuant to a special resolution duly passed at the extraordinary general meeting held on 29 June 2007, the Company’s name was changed from “China Financial Industry Investment Fund Limited (「中國金融產業投資基金有限公司」)” to “National Investments Fund Limited (「國盛投資基金有限公司」)”.

BUSINESS REVIEW AND PROSPECTS

As at 30 June 2007, investment portfolio of the Company consisted of listed securities with market value HK\$6,484,000 (31 December 2006: HK\$231,000) and unlisted securities amounted to HK\$1,200,000 (31 December 2006: HK\$1,350,000).

For the six months ended 30 June 2007, the Company recorded a net loss of HK\$390,000 (30 June 2006: net profit of HK\$304,000) and this was mainly attributable to the unrealized holding loss on financial assets at fair value through profit or loss of HK\$897,000 (30 June 2006: unrealized holding gain of HK\$63,000).

The Company was investing and managing in a portfolio of various securities in the securities market. During the interim period, the Company had made various investment transactions in connection with the markets in Hong Kong and the United Kingdom. With the funds generated from placings of the Company’s shares during the interim period together with the successful rights issue completed in August 2007, the Board continues to seek, identify, evaluate and capture appropriate investment opportunities not only in Hong Kong, United Kingdom and the Mainland China, but also in the market around the world. The Board is optimistic to the future prospects of financial markets in Hong Kong and the Mainland China, and expects our investments to achieve attractive returns.



Management Discussion and Analysis

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2007 (30 June 2006: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Company had retained cash of HK\$2,672,000 (31 December 2006: HK\$51,000). As most of the retained cash was placed in Hong Kong Dollars with the Banks in Hong Kong, exposure to exchange fluctuation is considered minimal.

The Company had net current assets of HK\$9,557,000 (31 December 2006: net current liabilities of HK\$1,908,000) and no borrowings or long-term liabilities as at 30 June 2007. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2007, was 0.29 (31 December 2006: undefined as the presence of net liabilities).

EMPLOYEES

As at 30 June 2007, the Company had 13 (31 December 2006: 6) employees, including executive directors, non-executive director and independent non-executive directors. Total staff costs for the interim period amounted to HK\$446,000 (30 June 2006: HK\$263,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employee.

CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Company's assets or any significant contingent liabilities as at 30 June 2007 (31 December 2006: Nil).

Management Discussion and Analysis



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2007, the interest and short positions of the directors and chief executives in the shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as 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 Listed Issuers (the "Model Code") and in accordance with information received by the Company were as follows:

Long Position in Shares of the Company

Name of Director	Capacity	Number of shares held	Approximate % of shareholding
Mr. Wong Danny F. (<i>Note</i>)	Interest in controlled corporation	275,314,000	25.21%

Note: Mr. Wong Danny F., an executive director and the Chairman of the Company is the sole shareholder of Canossa Capital Ltd. ("Canossa Capital"), a substantial shareholder of the Company. This figure includes 21,178,000 shares held by Canossa Capital as at 30 June 2007 and the 254,136,000 rights shares it has undertaken to accept under the rights issue as detailed in the Company's circular dated 5 July 2007 and prospectus dated 30 July 2007.

Other than as disclosed above, none of the directors or chief executives of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (as defined in the SFO).



Management Discussion and Analysis

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed below, at no time during the period was the Company a party to any arrangements to enable the directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any associated corporations.

SHARE OPTION SCHEME

The Company has a share option scheme under which the directors may, at their discretion, grant options to any directors (including independent non-executive directors) or full-time employees of the Company to subscribe for shares in the Company, subject to the stipulated terms and conditions. No share options were granted or agreed to be granted under the share option scheme during the six months ended 30 June 2007.

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 June 2007.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the interests of persons, other than a director or chief executive of the Company, in the shares of the Company as recorded in the register maintained pursuant to the Section 336 of the SFO were as follows:

Long Positions in Shares of the Company

Name of Shareholder	Capacity	Number of shares held	Approximate % of shareholding
Canossa Capital (<i>Note 1</i>)	Beneficial owner	275,314,000	25.21%
China Merchants Securities (HK) Co., Ltd. (the "China Merchants") (<i>Note 2</i>)	Beneficial owner	103,864,000	9.51%
Lee Seng Huang (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%
Lee Seng Hui (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%
Lee Su Hwei (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%
Allied Group Limited (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%
Allied Properties (H.K.) Limited (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%
AP Jade Limited (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%



Other Information

Name of Shareholder	Capacity	Number of shares held	Approximate % of shareholding
AP Emerald Limited (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%
Sun Hung Kai & Co. Limited (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%
Sun Hung Kai Securities Limited (<i>Note 3</i>)	Interest in controlled corporation	325,000,000	29.76%
SHK Investment Services Limited (the "SHK Investment") (<i>Note 3</i>)	Beneficial owner	325,000,000	29.76%
Grand Vinco Capital Limited (the "Grand Vinco") (<i>Note 4</i>)	Beneficial owner	325,000,000	29.76%

Notes:

1. Mr. Wong Danny F., an executive director and the Chairman of the Company is the sole shareholder of Canossa Capital. This figure includes 21,178,000 shares held by Canossa Capital as at 30 June 2007 and the 254,136,000 rights shares it has undertaken to accept under the rights issue.
2. The 103,864,000 shares are the rights shares which the China Merchants has underwritten in respect of the rights issue. Details of the rights issue were fully disclosed in the Company's circular dated 5 July 2007 and prospectus dated 30 July 2007.

Other Information



3. The 325,000,000 shares are the rights shares which the SHK Investment has underwritten in respect of the rights issue. The SHK Investment is a wholly-owned subsidiary of Sun Hung Kai Securities Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited which in turn is a non wholly-owned subsidiary of AP Emerald Limited (“APE”), APE is a wholly-owned subsidiary of AP Jade Limited (“APJ”) which in turn is also a wholly-owned subsidiary of Allied Properties (H.K.) Limited (“APL”). APL is a non wholly-owned subsidiary of Allied Group Limited in which Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of the Lee and Lee Trust, having 42.07% interest as at 20 June 2007. Accordingly, they are deemed to have the same long position as SHK Investment under the SFO.
4. The 325,000,000 shares are the rights shares which the Grand Vinco has underwritten in respect of the rights issue.

Other than as disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 30 June 2007.

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

During the six months period ended 30 June 2007, the Company has not purchased, sold nor redeemed any of its listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICE

The Company was committed to maintain high level of corporate governance and has steered its development and protected the interests of shareholders in an enlightened and open manner.

As at 30 June 2007, the Board comprises three executive directors, one non-executive director and four independent non-executive directors. The Company has complied with the Code of Corporate Governance Practices (“Code Provisions”) set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange during the six months period ended 30 June 2007, with deviation from code provision A.4.1.



Other Information

Code Provision A.4.1

According to Code Provision A.4.1, non-executive director should be appointed for a specific term, and subject to re-election. Prior to May 2007, non-executive directors of the Company were appointed without specific term but they were subject to retirement by rotation and re-election at the annual general meeting of the Company. Since May 2007, in order to be aligned with Code Provision A.4.1, non-executive directors were appointed with a specific term.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), as set out in Appendix 10 of the Listing Rules, throughout the six months ended 30 June 2007. After having made specific enquiry to all directors of the Company, the directors are of the opinion that they have complied with the required standard set out in the Model Code regarding securities transactions by directors throughout the six months ended 30 June 2007.

AUDIT COMMITTEE

The audit committee, comprising three independent non-executive directors, has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including a review of the Company’s unaudited interim financial statements for the six months ended 30 June 2007.

On behalf of the Board
Wong Danny F.
Chairman

Hong Kong, 27 September 2007

Condensed Balance Sheet

as at 30 June 2007

	<i>Note</i>	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Non-current assets			
Available-for-sale financial assets	4	—	1,350
Current assets			
Available-for-sale financial assets	4	1,200	—
Financial assets at fair value through profit or loss	5	6,484	231
Prepayment, deposits and other receivables		1,990	—
Cash and bank balances		2,672	51
		12,346	282
Total assets		12,346	1,632
Current liabilities			
Accrued charges and other accounts payable		2,589	1,083
Deposits received		200	—
Amount due to a director		—	2,457
		2,789	3,540
Net current assets/(liabilities)		9,557	(3,258)
Net assets/(liabilities)		9,557	(1,908)
Capital and reserves attributable to the Company's equity holders			
Share capital	6	840	600
Reserves		8,717	(2,508)
Total equity		9,557	(1,908)

Approved by the Board of Directors on 27 September 2007 and signed on its behalf by:

Wong Danny F.
Chairman

Wu Tse Wai, Frederick
Executive Director

The accompanying notes form an integral part of these financial statements.

Condensed Income Statement

for the six months ended 30 June 2007

		Six months ended 30 June	
		2007 (Unaudited)	2006 (Unaudited)
		HK\$'000	HK\$'000
	<i>Note</i>		
Turnover	7	4,082	142
Cost of sales		(2,814)	(203)
Gross profit/(loss)		1,268	(61)
Other income		600	—
		1,868	(61)
Reversal of provision for impairment loss of investment deposits		—	1,300
Unrealised holding (loss)/profit on financial assets at fair value through profit or loss		(897)	63
Other operating expenses	8	(1,361)	(998)
(Loss)/profit before income tax		(390)	304
Income tax expenses	9	—	—
(Loss)/Profit for the period		(390)	304
Attributable to:			
Equity holders of the Company		(390)	304
Interim dividend	10	—	—
(Loss)/Earnings per share			
Basic, in HK cents	11	(0.61)	0.51
Diluted		N/A	N/A

The accompanying notes form an integral part of these financial statements.

Condensed Statement of Changes in Equity

for the six months ended 30 June 2007

	Share Capital (Unaudited)	Share Premium (Unaudited)	Accumulated Losses (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2006	600	22,834	(22,602)	832
Net profit for the period	—	—	304	304
Balance at 30 June 2006	600	22,834	(22,298)	1,136
Balance at 1 January 2007	600	22,834	(25,342)	(1,908)
Issue of shares	240	12,120	—	12,360
Share issue expenses	—	(505)	—	(505)
Net loss for the period	—	—	(390)	(390)
Balance at 30 June 2007	840	34,449	(25,732)	9,557

The accompanying notes form an integral part of these financial statements.

Condensed Cash Flow Statement

for the six months ended 30 June 2007

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(9,234)	(31)
Net cash inflow from financing activities	11,855	—
Net increase/(decrease) in cash and cash equivalents	2,621	(31)
Cash and cash equivalents at the beginning of the period	51	62
Cash and cash equivalents at the end of the period	2,672	31
Analysis of cash and cash equivalents		
Cash and bank balances	2,672	31

The accompanying notes form an integral part of these financial statements.

Notes to Condensed Interim Financial Statements

At 30 June 2007

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies in Hong Kong, the United Kingdom and the People's Republic of China (the "PRC"). The shares of the Company were listed on the Stock Exchange with effect from 27 September 2002.

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standard ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICY

The condensed financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss and available-for-sale financial assets which are measured at fair value.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2006. In the current interim period, the Company has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Company's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²

Notes to Condensed Interim Financial Statements

At 30 June 2007

HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

⁵ Effective for annual periods beginning on or after 1 November 2006.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Company for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Company has not early applied the following new standard, revision and interpretations that have been issued but are not effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-INT 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC)-INT 12	Service Concession Arrangements ³
HK(IFRIC)-INT 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-INT 14	HKAS 19: The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

⁴ Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of the standard, revision and interpretations will have no material impact on the results and the financial position of the Company.

Notes to Condensed Interim Financial Statements

At 30 June 2007

3. SEGMENT INFORMATION

The Company has determined not to present further business segment information as the Company's turnover, contribution to operating loss (2006: profits), assets and liabilities are attributable to the investments in listed and unlisted companies.

In determining the Company's geographical segments, revenues are attributed to the segments based on the location of the markets, and assets are attributed to the segments based on the location of the assets.

The Company's segment revenue, assets and liabilities for the period, analysed by geographical market, are as follows:

	Hong Kong		The United Kingdom		The PRC		Total	
	As at 30 June 2007 (Unaudited)	As at 31 December 2006 (Audited)	As at 30 June 2007 (Unaudited)	As at 31 December 2006 (Audited)	As at 30 June 2007 (Unaudited)	As at 31 December 2006 (Audited)	As at 30 June 2007 (Unaudited)	As at 31 December 2006 (Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	12,346	1,251	—	231	—	150	12,346	1,632
Segment liabilities	2,789	3,540	—	—	—	—	2,789	3,540

	Hong Kong		The United Kingdom		The PRC		Total	
	six months ended 30 June 2007 (Unaudited)	six months ended 30 June 2006 (Unaudited)	six months ended 30 June 2007 (Unaudited)	six months ended 30 June 2006 (Unaudited)	six months ended 30 June 2007 (Unaudited)	six months ended 30 June 2006 (Unaudited)	six months ended 30 June 2007 (Unaudited)	six months ended 30 June 2006 (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	2,839	142	1,243	—	—	—	4,082	142

Notes to Condensed Interim Financial Statements

At 30 June 2007

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 June 2007 (Unaudited)	31 December 2006 (Audited)
	HK\$'000	HK\$'000
Unlisted, at cost	2,600	3,900
Less: Impairment loss	(1,400)	(2,550)
	1,200	1,350

Note: These available-for-sale financial assets had been disposed of in September 2007, with a gain of approximately HK\$1,200,000.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2007 (Unaudited)	31 December 2006 (Audited)
	HK\$'000	HK\$'000
Held-for-trading:		
Equity securities, at fair value		
— listed in Hong Kong	6,484	—
— listed outside Hong Kong	—	231
	6,484	231

Notes to Condensed Interim Financial Statements

At 30 June 2007

6. SHARE CAPITAL

	30 June 2007 (Unaudited)	31 December 2006 (Audited)
	HK\$'000	HK\$'000
<i>Authorised</i> 200,000,000 ordinary shares of HK\$0.01 each	2,000	2,000
<i>Issued and fully paid:</i> 84,000,000 (2006: 60,000,000) ordinary shares of HK\$0.01 each	840	600

Note: During the interim period, as a result of placings, a total of 24,000,000 ordinary shares of HK\$0.01 were issued as follows:

- (a) 12,000,000 ordinary shares were issued at HK\$0.43 per share in May 2007; and
- (b) 12,000,000 ordinary shares were issued at HK\$0.60 per share in June 2007.

and, these shares rank pari passu with other ordinary shares in all respects.

7. TURNOVER

Turnover represents sales of listed and unlisted securities during the six months period. The amount of each significant category of revenue recognised during the six months period are as follows:

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
	HK\$'000	HK\$'000
Turnover: Sale of financial assets at fair value through profit or loss	4,082	142

Notes to Condensed Interim Financial Statements

At 30 June 2007

8. OTHER OPERATING EXPENSES

Other operating expenses are included the following:

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
	HK\$'000	HK\$'000
Employee benefits expenses	446	263
Legal and professional fees	118	187

9. INCOME TAX EXPENSES

No provision of Hong Kong profits tax is required as the Company has no assessable profits for the period (30 June 2006: Nil).

10. INTERIM DIVIDEND

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

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Company's net loss attributable to the shareholders of HK\$390,000 (30 June 2006: net profit of HK\$304,000) divided by the weighted average number of shares in issue during the period, being 63,779,005 (30 June 2006: 60,000,000).

There were no dilutive potential shares during the six months periods ended 30 June 2007 and 30 June 2006, therefore, no diluted (loss)/earnings per share have been presented.

12. DEFERRED TAXATION

There were no deferred tax assets/liabilities as at 30 June 2007 and year ended 31 December 2006.

Notes to Condensed Interim Financial Statements

At 30 June 2007



13. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2007, the Company had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Company's business.

Key management compensation

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	360	252
Employer's contribution to pension scheme	10	11

Amount due to a director

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
	HK\$'000	HK\$'000
Mr. Tam Wai Keung, Billy (Resigned on 22 May 2007) — Cash advanced to the Company	13	580

Notes to Condensed Interim Financial Statements

At 30 June 2007

14. COMMITMENTS

Commitments under operating leases

At the balance sheet date, the Company had total future aggregate minimum lease payments under non-cancellable operating leases, which are payable as follows:

	30 June 2007 (Unaudited)	31 December 2006 (Audited)
	HK\$'000	HK\$'000
Within one year	669	—
In the second to fifth years inclusive	84	—
	753	—

15. SUBSEQUENT EVENTS

The following events took place after the balance sheet date:

- (i) Subsequent to the balance sheet date, pursuant to a special resolution duly passed in an extraordinary general meeting held on 23 July 2007, the authorised share capital of the Company was increased from HK\$2,000,000 divided into 200,000,000 ordinary shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 ordinary shares of HK\$0.01 each by the creation of an additional 1,800,000,000 ordinary shares of HK\$0.01 each.
- (ii) As fully detailed in the Company's circular dated 5 July 2007 and prospectus dated 30 July 2007 respectively, a rights issue of 1,008,000,000 ordinary shares of the Company to be issued, at HK\$0.05 per rights share, on the basis of 12 rights shares for every 1 then existing share held by qualifying shareholders was approved by the independent shareholders at the extraordinary general meeting held on 23 July 2007. The rights issue was completed in August 2007.

16. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 27 September 2007.