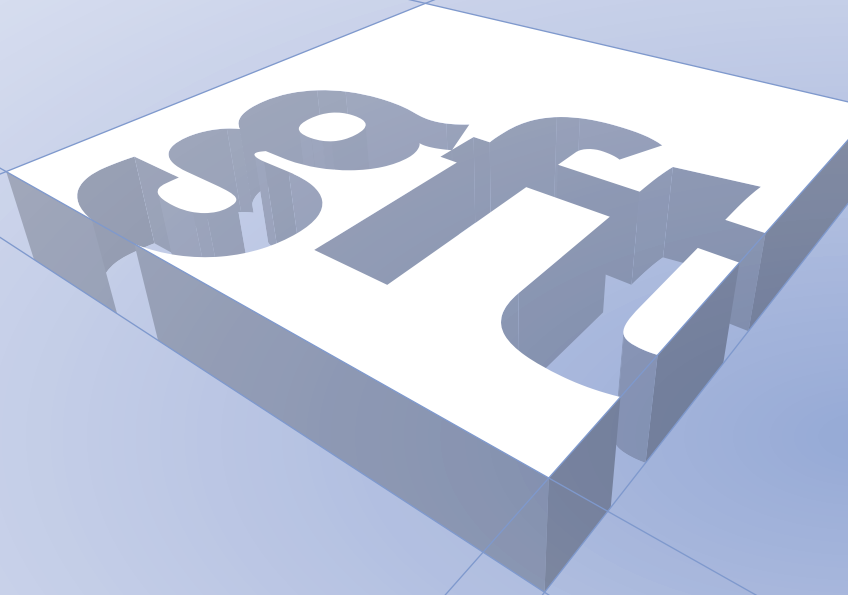




**GFT HOLDINGS LIMITED**

**真樂發 控股有限公司**

(Incorporated in Bermuda with limited liability)



**2008** 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 2008 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		<b>Six months ended 30 June</b>	
		<b>2008</b>	2007
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Turnover	3	<b>66,507</b>	69,345
Cost of sales		<b>(64,136)</b>	(68,408)
Gross profit		<b>2,371</b>	937
Other income		<b>1,782</b>	851
Distribution costs		<b>(1,866)</b>	(857)
Administrative expenses		<b>(8,845)</b>	(12,644)
Loss on assignment of an amount due from a subsidiary upon disposal		—	(68,599)
Other expenses		<b>(4,754)</b>	—
Gain on disposal of subsidiaries		—	20,343
Finance costs	4	—	(408)
Loss before taxation	4	<b>(11,312)</b>	(60,377)
Taxation	5	—	—
<b>Loss for the period</b>		<b>(11,312)</b>	(60,377)
<b>Attributable to:</b>			
Equity holders of the Company		<b>(11,312)</b>	(59,831)
Minority interests		—	(546)
<b>Loss for the period</b>		<b>(11,312)</b>	(60,377)
		<b>HK cents</b>	HK cents
			(restated)
<b>Loss per share</b>	7		
Basic		<b>(0.90)</b>	(17.39)
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	18,468	155
<b>Current assets</b>			
Trade and other receivables	9	25,925	15,546
Financial assets at fair value through profit or loss	10	47,218	11,339
Bank balances and cash	11	157,539	235,437
Tax recoverable		231	231
		230,913	262,553
<b>Current liabilities</b>			
Trade and other payables	12	13,059	15,074
<b>Net current assets</b>			
		217,854	247,479
<b>NET ASSETS</b>			
		236,322	247,634
<b>Capital and reserves</b>			
Share capital	13	156,456	156,456
Reserves		79,866	91,178
<b>Equity attributable to equity holders of the Company</b>			
		236,322	247,634
Minority interests		—	—
<b>TOTAL EQUITY</b>			
		236,322	247,634

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company							Minority interests	Total equity
	Share capital	Share premium	Capital reserve	Share options reserve	Translation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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	<u>28,367</u>	<u>76,019</u>	<u>2,099</u>	<u>1,369</u>	<u>—</u>	<u>(65,271)</u>	<u>42,583</u>	<u>845</u>	<u>43,428</u>
At 1 January 2008	156,456	168,098	2,099	—	—	(79,019)	247,634	—	247,634
Loss for the period	—	—	—	—	—	(11,312)	(11,312)	—	(11,312)
At 30 June 2008	<u>156,456</u>	<u>168,098</u>	<u>2,099</u>	<u>—</u>	<u>—</u>	<u>(90,331)</u>	<u>236,322</u>	<u>—</u>	<u>236,322</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(53,764)	(29,877)
Net cash used in investing activities	(24,134)	(4,079)
Net cash from financing activities	—	43,294
Net (decrease) increase in cash and cash equivalents	(77,898)	9,338
Cash and cash equivalents at beginning of the period	235,437	7,207
<b>Cash and cash equivalents at end of the period</b> , represented by bank balances and cash	<b>157,539</b>	16,545

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

## 1. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2007.

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in preparing these condensed consolidated financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2007 except for the adoption of new interpretations issued by the HKICPA which are first effective for the Group’s accounting period beginning on 1 January 2008. The adoption of these new interpretations has no material impact on the results and financial position of the Group.

## 3. SEGMENT INFORMATION

During the six months ended 30 June 2008, the Group is principally engaged in the business of toy products trading and securities trading and investments. An analysis of the Group’s turnover and results for the period by business segments is as follows:

	<b>Six months ended 30 June 2008</b>		
	<b>Toy products trading</b> HK\$'000	<b>Securities trading and investments</b> HK\$'000	<b>Consolidated</b> HK\$'000
Turnover	66,507	—	66,507
Segment results	(1,883)	(3,917)	(5,800)
Unallocated other income			596
Unallocated operating expenses			(6,108)
Finance costs			—
Loss before taxation			(11,312)
Taxation			—
Loss for the period			(11,312)

### 3. SEGMENT INFORMATION *(Continued)*

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	(7,646)	—	(7,646)
Unallocated other income			134
Unallocated operating expenses			(4,201)
Loss on assignment of an amount due from a subsidiary upon disposal			(68,599)
Gain on disposal of subsidiaries			20,343
Finance costs			(408)
Loss before taxation			(60,377)
Taxation			—
Loss for the period			(60,377)

Notes:

- (a) Upon the disposal of GFT Holding Limited and its subsidiaries, the operation of manufacturing of toy products was terminated in June 2007.
- (b) The operation of securities trading and investments has been reactivated in November 2007.

#### 4. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Loss before taxation is arrived at after charging (crediting):		
<b>(a) Finance costs</b>		
Interest on bank loans and other borrowings wholly repayable within five years	—	314
Finance charges on obligations under finance leases	—	94
	<u>—</u>	<u>408</u>
<b>(b) Other items</b>		
Cost of inventories	64,136	68,408
Depreciation on property, plant and equipment	259	1,925
Amortisation on prepaid lease payments	—	63
Operating lease payment for premises	225	—
Loss on disposal of financial assets (included in other expenses)	4,754	—
Interest income	<u>(1,781)</u>	<u>(96)</u>

#### 5. TAXATION

No provision for Hong Kong Profits Tax or tax in other jurisdictions has been made for the six months ended 30 June 2008 as neither the Company nor any of its subsidiaries had any assessable profit subject to tax during the period (six months ended 30 June 2007: 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.



## 6. DIVIDENDS

No dividends were paid during the period. The Board does not recommend payment of interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

## 7. LOSS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Loss for the period attributable to equity holders of the Company for the purpose of basic loss per share	<u>(11,312)</u>	<u>(59,831)</u>
	<b>Number of shares '000</b>	Number of shares '000
	(note a)	(restated) (note b)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,251,646</u>	<u>344,118</u>

Notes:

- The number of shares for the six months ended 30 June 2008 was adjusted to reflect the share consolidation of every five shares of HK\$0.025 each into one share of HK\$0.125 each which became effective on 15 July 2008 (the "Share Consolidation").
- The number of shares for the six months ended 30 June 2007 was adjusted to reflect the rights issue on the basis of three rights shares for every one share held which became unconditional on 12 December 2007 and the Share Consolidation.

No diluted loss per share has been presented as there was no dilutive potential ordinary share in issue during the six months ended 30 June 2008 and, for the six months ended 30 June 2007, the impact of the exercise of share options was anti-dilutive.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group acquired property, plant and equipment with cost of approximately HK\$18,572,000 (six months ended 30 June 2007: nil).

## 9. TRADE AND OTHER RECEIVABLES

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
<b>Trade receivables</b>	<b>8,805</b>	8,895
<b>Other receivables</b>		
Deposits, prepayments and other receivables	7,120	6,651
Deposits paid for acquisition of subsidiaries	10,000	—
	<b>17,120</b>	6,651
	<b>25,925</b>	15,546

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 2008 HK\$'000	31 December 2007 HK\$'000
0 to 60 days	6,595	7,374
61 to 90 days	668	535
Over 90 days	1,542	986
	<b>8,805</b>	8,895

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Analysis of financial assets at fair value through profit or loss:		
<i>Held for trading, at market value</i>		
Equity securities listed in Hong Kong	35,018	7,308
Derivative financial instruments	12,200	4,031
	<u>47,218</u>	<u>11,339</u>

## 11. BANK BALANCES AND CASH

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Cash at banks and in hand	4,817	6,270
Short-term bank deposits	152,722	229,167
	<u>157,539</u>	<u>235,437</u>

## 12. TRADE AND OTHER PAYABLES

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Trade payables	4,402	3,900
Accrued charges and other creditors	8,657	11,174
	<u>13,059</u>	<u>15,074</u>

## 12. TRADE AND OTHER PAYABLES *(Continued)*

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

	<b>30 June 2008</b> HK\$'000	31 December 2007 HK\$'000
0 to 60 days	<b>3,733</b>	3,900
61 to 90 days	<b>459</b>	—
Over 90 days	<b>210</b>	—
	<b>4,402</b>	3,900

## 13. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<b>Authorised:</b>		
Ordinary shares		
At 1 January 2007, at HK\$0.01 each	50,000,000	500,000
Share consolidation	(30,000,000)	—
At 31 December 2007 and 30 June 2008, at HK\$0.025 each	<b>20,000,000</b>	<b>500,000</b>
<b>Issued and fully paid:</b>		
Ordinary shares		
At 1 January 2007, at HK\$0.01 each	1,953,682	19,536
Share consolidation	(1,172,210)	—
Issue of shares upon placing of shares	410,000	10,250
Issue of shares upon exercise of share options	33,085	828
Issue of shares upon conversion of convertible notes	340,000	8,500
Rights issue	4,693,673	117,342
At 31 December 2007 and 30 June 2008, at HK\$0.025 each	<b>6,258,230</b>	<b>156,456</b>

## 14. RELATED PARTIES TRANSACTIONS

The Group had the following transactions with related parties:

Related party relationship	Nature of transactions	Six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Companies under common control by executive directors and shareholders of the Company	Administrative expenses paid:		
	— security	—	155
	— staff welfare	—	128
	— transportation	—	52
		<u>—</u>	<u>335</u>

## 15. CONTINGENT LIABILITIES

On 8 October 2004, Mr. Kwok Chin Wing (“Kwok”), a former director of the Company, commenced legal proceedings (the “Action”) 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 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 Defendant had filed his Defence and the Company had also properly dealt with all consequential amendments to the pleadings. Discovery and inspection of documentary evidence between Kwok and the newly joined Defendant were completed. Kwok has filed and served his Supplemental Witness Statement but the newly joined Defendant has not yet made ready his Witness Statement. It is foreseeable that the Action will set down for trial after the service of the newly joined Defendant’s Witness Statements.

## 15. CONTINGENT LIABILITIES *(Continued)*

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.

## 16. POST BALANCE SHEET EVENTS

(a) On 6 May 2008, the Board proposed to effect the Share Consolidation on the basis that every five issued and unissued shares of HK\$0.025 each would be consolidated into one consolidated share of HK\$0.125 each (the “Consolidated Share(s)”). The Share Consolidation was approved by the shareholders of the Company (the “Shareholders”) at the special general meeting held on 14 July 2008 (“SGM”) and became effective on 15 July 2008.

(b) On 30 April 2008, the Company and Kingbox Investments Limited (“Kingbox”), a wholly-owned subsidiary of the Company, entered into an agreement (as supplemented on 6 May 2008) with Mr. Ng Kai Man (“Mr. Ng”) whereby Kingbox agreed to purchase from Mr. Ng the equity interests in Consecutive Profits Limited, Real Clever Profits Limited, Pacific Pointer Limited, Century 21 Hong Kong Limited and Century 21 Limited at a consideration of HK\$430,000,000 (the “Acquisition”). A cash deposit in HK\$10,000,000 was paid by the Company upon signing of the agreement. Details of the Acquisition are set out in the circular issued by the Company on 28 June 2008 (the “Circular”).

The Acquisition was approved by the Shareholders at the SGM and was completed on 23 July 2008. Accordingly, the Company settled the balance of the consideration by (i) cash in HK\$190,000,000, (ii) issuing a promissory note with principal amount of HK\$100,000,000; and (iii) issuing a convertible note with principal amount of HK\$130,000,000. Details of the terms of the promissory note and the convertible note are set out in the Circular.

(c) On 30 April 2008, the Company entered into a conditional placing agreement (as supplemented on 6 May 2008) whereby the placing agent agreed to place (the “Placing”) on a best effort basis (i) up to 400,000,000 Consolidated Shares at a placing price of HK\$0.125 and (ii) convertible notes with an aggregate principal amount of up to HK\$100,000,000 to be issued by the Company (the “Placing CNs”). Details of the Placing and the terms of the Placing CNs are set out in the Circular.

The Placing was approved by the Shareholders at the SGM and has yet been completed at the date of this Report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business and Operation Review

Since the second half of 2007, the Group's business has been refined to trading of toy, gift and premium products and securities trading and investments. For the toy segment, the disposed toy manufacturing operation ceased to contribute from June 2007 onwards and resulting in a mild decline in revenue of HK\$2.8 million or 4.1% when compared with the same period last year. The other side of the coin is the Group no longer required to bear the heavy fixed cost of the underutilized manufacturing plant and, consequently, the gross profit improved from HK\$0.9 million to HK\$2.4 million and the segment loss decreased from HK\$7.6 million to HK\$1.9 million during the period under review.

The business of securities trading and investments has been reactivated since November last year and is principally participating in Hong Kong securities market with the primary objective of gaining from capital growth. However, Hong Kong securities market, same as the trend in other securities markets, is on the downward track after reaching the peak in October last year. The Group inevitably suffered from the adversity and recorded a loss of HK\$3.9 million in its securities segment during the six months ended 30 June 2008. In view of the present pessimistic market sentiment, the Group confines the securities segment to a small scale operation and preserves its resources for developing the property brokerage business as discussed further below.

## Prospects

For the past few years, core business of the Group kept on facing with difficult situation like cut throat price competition, escalating costs and diminishing demand. The circumstance is exaggerated by the recession of US economy after the outbreak of subprime crises and the continuous currency inflation in Mainland China. The Board envisages that the optimal way to break through is to diversify the Group's business into prosperous and lucrative investments.

On 30 April 2008, the Company together with its wholly owned subsidiary, Kingbox Investments Limited, entered into an agreement to acquire from Mr. Ng Kai Man (“Mr. Ng”) the entire equity interests in C21HK Group at a consideration of HK\$430 million (the “Acquisition”). C21HK Group possesses the exclusive perpetual right to grant franchise to licensed real estate brokers to operate under the brand name “Century 21” in Hong Kong and Macau and currently has admitted over 130 sub-franchisees. C21HK Group by itself actively engages and has proven records in the brokerage and consultancy business in both the primary and secondary property markets in Hong Kong and Mainland China.

Upon completion of the Acquisition on 23 July 2008, Mr. Ng, who is the founder of C21HK Group and a seasoned entrepreneur in the real estate industry, is appointed as the executive director of the Company to steer this new business. With this new pursuit, the Board is confident that the Group is unfolded to a flourishing era with inspiring returns and growth rate.

## FINANCIAL REVIEW

### Review of Results

The Group reported a turnover of HK\$66.5 million for the six months ended 30 June 2008, representing a mild decline of HK\$2.8 million or 4.1% when compared with that of last corresponding period. Gross profits increased by HK\$1.5 million from HK\$0.9 million for the last corresponding period to HK\$2.4 million, mainly due to the fact that the Group ceased to bear any fixed cost incurred by the disposed manufacturing operation in this review period.

Also benefited from the disposal of the manufacturing operation was the saving of HK\$3.8 million or 30.0% as compared with last period in administrative expenses. However, such saving was offset by the net loss on securities trading amounted to HK\$4.8 million. Loss for the six months ended 30 June 2008 reported by the Group is HK\$11.3 million, as compared with last corresponding period of HK\$12.1 million (after taking out the net effect of the disposal of subsidiaries in HK\$48.3 million).



## Liquidity and Financial Resources

The Group maintained sufficient working capital as at 30 June 2008 with net current assets of HK\$217.9 million (31 December 2007: HK\$247.5 million) and bank balances and cash of HK\$157.5 million (31 December 2007: HK\$235.4 million).

The Group has no borrowings as at 30 June 2008 (31 December 2007: nil). Hence, gearing ratio, expressed as the percentage of total borrowings over total equity, of the Group is zero. However, the Group, to satisfy part of the consideration upon completion of the Acquisition on 23 July 2008, issued (i) a promissory note with principal amount of HK\$100 million which bear interest at the rate of 3% per annum and mature on 23 January 2010; and (ii) a convertible note with principal amount of HK\$130 million which bear interest at the rate of 2% per annum, mature on 23 July 2011 and entitle its holder to convert the outstanding principal amount into shares of the Company at an initial conversion price of HK\$0.1375.

## Charges on Assets

As at 30 June 2008, none of the Group's asset was under charges. As at 31 December 2007, certain financial assets and bank deposits in HK\$19.1 million were pledged to a bank to secure banking facilities of US\$7.0 million, of which no bank loan had ever been drawn.

## 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 and joinder of party to the Action, which were granted by the Court on 19 April 2007. The Action is now pending for the newly joined Defendant to file his Witness Statement. It is foreseeable that the Action will set down for trial after the service of the newly joined Defendant’s Witness Statements.

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 2008, the Group had 8 employees (30 June 2007: 11). 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.

## 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 2008 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules 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.

## OTHER INFORMATION

### Interim Dividend

The Board does not recommend payment of interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

### Directors’ Interests in Securities

As at 30 June 2008, none of the directors or chief executive of the Company or any of their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”)) 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 of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code.

## Substantial Shareholders

As at 30 June 2008, the interests and short positions of those persons (other than the directors or 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 of the Company

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholding (note 1)
Glory Winning Investment Limited	Beneficial owner	564,896,000	9.03%
Tellus Investments Limited	Interest of controlled corporation	564,896,000 (note 2)	9.03%
Tse Cho Tseung	Interest of controlled corporation	564,896,000 (note 2)	9.03%
Ng Kai Man	Beneficial owner	945,454,545 (note 3)	15.11% (note 3)

Notes:

1. The percentage shareholding is calculated on the basis of 6,258,230,400 shares of HK\$0.025 each in issue as at 30 June 2008.
2. Glory Winning Investment Limited is a company held by Tse Cho Tseung and Tellus Investments Limited, the entire issued share capital of which is held by Tse Cho Tseung, in equal shares. Therefore, both Tellus Investments Limited and Tse Cho Tseung are deemed to be interested in 564,896,000 shares held by Glory Winning Investments Limited.
3. On 9 May 2008, Mr. Ng filed a notice reporting that he would be issued convertible note with principal amount of HK\$130,000,000 (the "CN") upon completion of the Acquisition (details of which are disclosed in the paragraph "Prospects" above). The CN entitles Mr. Ng to convert the outstanding principal amount into shares of HK\$0.125 each of the Company at a conversion price of HK\$0.1375 (subject to adjustment), equivalent to 945,454,545 shares of HK\$0.125 each (the "Conversion Shares") upon full conversion. The Conversion Shares represented 15.11% of 6,258,230,400 shares of HK\$0.025 each in issue as at 30 June 2008 and 75.54% of 1,251,646,080 shares of HK\$0.125 each in issue upon the Share Consolidation (details of which are disclosed in note 16(a) to the condensed consolidated financial statements) becoming effective on 15 July 2008.

Save as disclosed above, as at 30 June 2008, 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 required to be kept by the Company under Section 336 of the SFO.

## Share Options

There was no outstanding option under the share option scheme of the Company during the six months ended 30 June 2008.

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

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## 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 2008.

By Order of the Board  
**Ha Kee Choy, Eugene**  
*Executive Director*

Hong Kong, 29 August 2008