



FOREFRONT GROUP LIMITED
福方集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 885)

INTERIM REPORT
2008

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Corporate Information

DIRECTORS

Mr. Yeung Ming Kwong [#]	<i>(Executive Director)</i>
Mr. Ting Wing Cheung, Sherman	<i>(Executive Director)</i>
Ms. Lo Oi Kwok, Sheree	<i>(Executive Director)</i>
Mr. Louis Wen	<i>(Executive Director)</i>
Mr. Zhou Qi Jin	<i>(Executive Director)</i>
Mr. Zhuang You Dao	<i>(Executive Director)</i>
Mr. Chung Yuk Lun ^{*#}	<i>(Independent Non-executive Director)</i>
Mr. Kwong Wai Tim, William ^{*#}	<i>(Independent Non-executive Director)</i>
Ms. Lam Yan Fong, Flora ^{*#}	<i>(Independent Non-executive Director)</i>
Ms. Kristi L Swartz	<i>(Independent Non-executive Director)</i>

* Member of Audit Committee

Member of Remuneration Committee

QUALIFIED ACCOUNTANT

Mr. Chui Kark Ming

COMPANY SECRETARY

Mr. Chui Kark Ming

AUDITORS

Mazars CPA Limited

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Hua Nan Commercial Bank
The Hongkong and Shanghai Banking Corporation
Limited
The Bank of East Asia, Limited

CAYMAN ISLANDS LEGAL ADVISERS

Maples and Calder Asia

REGISTERED OFFICE

P. O. Box 309, Uglan House,
South Church Street, George Town,
Grand Cayman, Cayman Islands,
British West Indies.

PRINCIPAL PLACE OF BUSINESS

Room 1103, 11/F., China United Centre,
28 Marble Road,
North Point,
Hong Kong.

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited,
Level 26, Tesbury Centre,
28 Queen's Road East, Wan Chai,
Hong Kong.

STOCK CODE

885

WEBSITE

www.forefront.com.hk

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

The Board of Directors (the “**Directors**”) of Forefront Group Limited (the “**Company**”) reports the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2008 as follows:

	Note	Unaudited	
		Six months ended 30 June 2008 HK\$'000	2007 HK\$'000 (Restated)
Continuing operations			
Turnover	2	136,494	72,533
Cost of investments held for trading sold		(162,304)	(71,600)
Gross (loss) profit		(25,810)	933
Other income		9,022	1,954
General and administrative expenses		(10,465)	(12,428)
Changes in fair value of financial assets at fair value through profit or loss		(39,490)	(6,768)
Loss from operations		(66,743)	(16,309)
Finance costs		(998)	(10)
Gain on disposal of subsidiaries	4	5,648	–
Share of result of an associate		(1,500)	–
Loss before taxation	3	(63,593)	(16,319)
Taxation	5	–	–
Loss for the period from continuing operations		(63,593)	(16,319)
Discontinued operations			
Loss for the period from discontinued operations	6	(4,632)	(5,101)
Loss for the period		(68,225)	(21,420)
Attributable to:			
Equity holders of the parent		(68,225)	(21,420)
Minority interest		–	–
		(68,225)	(21,420)
Dividend		–	–
Basic loss per share:	7		
From discontinued operations (HK cents per share)		(0.16)	(0.71)
From continuing operations (HK cents per share)		(2.14)	(2.27)

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
Non-current assets			
Investment properties		–	30,065
Property, plant and equipment	9	3,180	1,187
Interests in associates	10	36,363	32,754
Goodwill	11	8,000	8,000
Available-for-sale financial assets	12	–	–
		47,543	72,006
Current assets			
Financial assets at fair value through profit or loss	13	154,395	209,975
Inventories		19,587	32,625
Loan receivables	14	83,273	–
Trade and other receivables	15	17,123	19,477
Pledged deposits	16	558	558
Bank balances and cash		93,294	24,610
Cash balances maintained with broker		20,916	138,303
Interests in a subsidiary held for sale		1,930	2,315
Assets reclassified as held for sale		–	6,292
		391,076	434,155
Current liabilities			
Trade and other payables	17	7,256	19,232
Interest-bearing borrowings		–	14,885
Zero coupon convertible notes	18	–	225,160
		7,256	259,277
Net current assets		383,820	174,878
NET ASSETS		431,363	246,884
Capital and reserves			
Share capital	19	374,543	178,581
Reserves		56,820	68,303
Equity attributable to equity holders of the parent		431,363	246,884
Minority interest		–	–
TOTAL EQUITY		431,363	246,884

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Share		Equity component of Zero		Capital reserve	Capital redemption reserve	Cumulative translation reserve	Accumulated deficit	Total	Minority interest	Total equity
	capital	premium	Share option reserve	Coupon Convertible Notes							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2008 (Unaudited)											
Beginning of period	178,581	550,566	-	99,840	10,482	1,173	112	(593,870)	246,884	-	246,884
Issue of shares											
on rights issue	89,291	89,291	-	-	-	-	-	-	178,582	-	178,582
Issue of new shares	91,922	55,716	-	-	-	-	-	-	147,638	-	147,638
Issuance cost	-	(8,913)	-	-	-	-	-	-	(8,913)	-	(8,913)
Share options granted	-	-	6,239	-	-	-	-	-	6,239	-	6,239
Exercise of share options	14,749	22,906	(6,239)	-	-	-	-	-	31,416	-	31,416
Redemption of zero coupon convertible notes	-	-	-	(99,840)	-	-	-	(2,560)	(102,400)	-	(102,400)
Translation adjustments	-	-	-	-	-	-	142	-	142	-	142
Loss for the period	-	-	-	-	-	-	-	(68,225)	(68,225)	-	(68,225)
End of period	374,543	709,566	-	-	10,482	1,173	254	(664,655)	431,363	-	431,363
Six months ended 30 June 2007 (Unaudited)							(Note)				
Beginning of period	43,577	235,491	-	-	10,482	1,173	(5,381)	(260,683)	24,659	-	24,659
Issue of shares to Subscriber	68,000	85,842	-	-	-	-	-	-	153,842	-	153,842
Issuance costs of shares issued to Subscriber	-	(6,935)	-	-	-	-	-	-	(6,935)	-	(6,935)
Issue of shares to A&M	3,352	3,788	-	-	-	-	-	-	7,140	-	7,140
Option granted to Mr. Jerry Liu	-	-	1,612	-	-	-	-	-	1,612	-	1,612
Disposal of interests in unconsolidated subsidiaries held for sale	-	-	-	-	-	-	5,383	-	5,383	-	5,383
Translation adjustments	-	-	-	-	-	-	45	-	45	-	45
Loss for the period	-	-	-	-	-	-	-	(21,420)	(21,420)	-	(21,420)
End of period	114,929	318,186	1,612	-	10,482	1,173	47	(282,103)	164,326	-	164,326

Note: Cumulative translation reserve as at 1 January 2007 included a debit amount of HK\$5,383,000 which is attributable to interests in unconsolidated subsidiaries held for sale and a credit amount of HK\$2,000 which is attributable to interests in a subsidiary incorporated in Mainland China.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
		(Restated)
Net cash used in operating activities	(105,064)	(112,442)
Net cash generated from investing activities	24,750	505
Net cash generated from financing activities	31,469	146,907
(Decrease) Increase in cash and cash equivalents	(48,845)	34,970
Cash and cash equivalents at beginning of period	163,471	6,200
Effect on cumulative translation adjustments	142	44
Cash and cash equivalents at end of period	114,768	41,214
Analysis of cash and cash equivalents:		
Bank balances and cash	93,294	34,691
Pledged deposits	558	558
Cash deposit maintained with broker	20,916	5,965
	114,768	41,214
Cash and cash equivalents included in subsidiary held for sale	1,835	4,694
	116,603	45,908

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

1. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

These unaudited interim 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 of Hong Kong Limited, Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”, other relevant HKASs and Interpretations and Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31 December 2007. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period does not have a significant effect on the financial position or performance of the Group.

At the date of authorisation of these condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period. The Group is in the process of making an assessment of what the impact of these HKFRSs is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position.

The HKICPA has issued a number of new and revised HKFRSs that are not mandatory for these condensed consolidated financial statements. The Group has not early adopted these HKFRS and expects that the adoption of them will not have any significant impacts on the Group’s condensed consolidated financial statements in the periods of the initial adoption.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

2. SEGMENT INFORMATION

a. Business segment

The Group is principally engaged in investing, securities trading and provision of financing services. An analysis by business segment is as follows:

	Six months ended 30 June 2008 (Unaudited)			
	Investing and securities trading HK\$'000	Provision of financing services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Turnover				
Proceeds from disposal of trading securities	133,557	–	–	133,557
Interest income from provision of financial services	–	2,937	–	2,937
Total turnover	133,557	2,937	–	136,494
Operating results				
Segment results	(68,237)	3,022	(2,526)	(67,741)
Share of result of an associate				(1,500)
Gain on disposal of subsidiaries				5,648
Taxation				–
Loss from continuing operations				(63,593)
Loss from discontinued operations				(4,632)
Loss attributable to shareholders				(68,225)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

2. SEGMENT INFORMATION (continued)

a. Business segment (continued)

	Six months ended 30 June 2007 (Unaudited and restated)			
	Investing and securities trading HK\$'000	Provision of financing services HK\$'000	Unallocated HK\$'000	Total HK\$'000
Turnover				
Proceeds from disposal of trading securities	72,533	–	–	72,533
Operating results				
Segment results	(4,784)	–	(11,535)	(16,319)
Taxation				–
Loss from continuing operations				(16,319)
Loss from discontinued operations				(5,101)
Loss attributable to shareholders				(21,420)

b. Geographical Segment

The Group's activities are conducted predominantly in Hong Kong and the People's Republic of China ("Mainland China"). An analysis by geographical segments is as follows:

	Six months ended 30 June 2008 (Unaudited)		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Turnover	136,494	–	136,494
Segment results	(65,149)	99	(65,050)
Loss from continuing operations	(66,839)	96	(66,743)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

2. SEGMENT INFORMATION *(continued)*

b. Geographical Segment *(continued)*

	Six months ended 30 June 2007 (Unaudited and restated)		
	Hong Kong	Mainland	Total
	HK\$'000	China HK\$'000	HK\$'000
Turnover	72,533	–	72,533
Segment results	(5,681)	2,486	(3,195)
Loss from continuing operations	(14,803)	(1,506)	(16,309)

3. LOSS BEFORE TAXATION

Loss from operations has been arrived at after charging (crediting):

	Six months ended 30 June					
	2008 (Unaudited)			2007 (Unaudited)		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on redemption of zero coupon convertible notes	(8,393)	–	(8,393)	–	–	–
Depreciation and amortisation	134	1,055	1,189	–	923	923
Staff cost & related expenses	2,321	5,346	7,667	1,859	7,763	9,622
Share-based payment in respect of share options	6,239	–	6,239	1,612	–	1,612
Amortisation of effective interest on convertible notes	833	–	833	–	–	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

4. DISPOSAL OF SUBSIDIARIES

(a) Allied Well Development Limited (“Allied Well”)

Allied Well is an indirect wholly-owned subsidiary of the Group which holds 100% of the issued share capital of Hostbest Limited, which holds properties in Hong Kong.

On 14 April 2008, the Group disposed of all its interests in Allied Well to a wholly-owned subsidiary of Willie International Holding Limited (“Willie”) (see note 8) at a consideration of approximately HK\$20 million which was satisfied by the issuance and allotment of 160 million shares of Willie valued at HK\$0.126 per share. A gain of approximately HK\$3.6 million was recognised during the period.

(b) U-Drive Company Limited (“U-Drive”)

The Group disposed of its entire interests in a 93.7% indirectly-held subsidiary, U-Drive, to Golden Fame International Investments Group Limited (see note 8) at a consideration of HK\$2 million on 28 May 2008 and recognised a gain of approximately HK\$2 million. The principal activity of U-Drive was investment holding and provision of fuel chain services to vehicle customers. The profit of U-Drive from 1 January 2008 up to the date of disposal amounting to HK\$823,000 (Six months ended 30 June 2007: profit of HK\$1,396,000) have been included in the loss from discontinued operations in the income statement. The comparative information in relation to income and cash flow statement and the related notes attributable to discontinued operations have been restated as discontinued operations in the current period.

5. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

6. DISCONTINUED OPERATIONS

Discontinued operations include trading of motor vehicle and vehicle accessories, provision of motor vehicle repairs and maintenance services and provision of fuel chain services.

(a) Termination of Scania distributorship

Reference is made to the annual report of year 2007 and related announcements. The Group and Scania CV AB agreed to terminate the distributorship of Scania vehicle and accessories in Hong Kong and Macau effective from 1 April 2008. Certain assets of the Group were disposed to Scania at HK\$11,602,000 in aggregate.

(b) Analysis of loss and cash flow for the period from discontinued operations

The combined results of the discontinued operations included in the income statement are set out below. The comparative information in relation to income statement and cash flow statement and the related notes attributable to discontinued operations have been restated as discontinued operations in the current period.

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Loss for the period from discontinued operations		
Turnover	40,223	39,916
Less: Cost of sales	(36,740)	(32,729)
	3,483	7,187
Other income	913	231
Expenses	(9,028)	(12,519)
Loss before taxation	(4,632)	(5,101)
Taxation	–	–
Loss for the period from discontinued operations	(4,632)	(5,101)
Cash flows from discontinued operations		
Net cash used in operating activities	(720)	(7,583)
Net cash generated from (used in) investing activities	8,154	(734)
Net cash (used in) generated from financing activities	(3,147)	10,842
Net cash inflows	4,287	2,525

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

7. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to shareholders for the period of approximately HK\$68,225,000 (2007: HK\$21,420,000) and on the weighted average number of ordinary shares of 2,971,051,000 shares (2007 (restated): 717,599,000 shares) in issue during the period.

No diluted loss per share is presented for the six months ended 30 June 2008 and 2007 as the effect of all potential ordinary shares held at the balance sheet date is anti-dilutive.

The weighted average number of ordinary shares adopted in the calculation of the basic loss per share for the six months ended 30 June 2007 has been adjusted to reflect the impact of the rights issues effected in January 2008.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to shareholders is based on the loss for the period from continuing operations of HK\$63,593,000 (2007: HK\$16,319,000) and the denominators detailed above in respect of weighted average number of shares.

From discontinued operations

Basic loss per share for the discontinued operations was HK\$0.16 cents (2007: HK\$0.71 cents) per share based on the loss for the period from the discontinued operations of HK\$4,632,000 (2007: HK\$5,101,000) and the denominators detailed above in respect of weighted average number of shares.

8. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these interim financial statements, during the six months ended 30 June 2008, the Group had the following significant related party transactions:

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Consideration received from disposal of subsidiaries:		
– Willie International Holding Limited (note a)	20,160	–
– Golden Fame International Investments Group Limited ("Golden Fame") (note b)	2,000	–
Scania CV AB (note c)		
– Purchases	–	23,633
– Warranty claims received/receivable	–	808
– Interest expenses paid/payable	–	109
– Miscellaneous income received/receivable	–	467

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

8. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (a) Willie International Holding Limited is a shareholder of the Company holding 6.03% equity interest in share capital of the Company.
- (b) Golden Fame International Investments Group Limited is an associate of the Group. The Group holds 40% equity interests in Golden Fame.
- (c) Scania CV AB is the principal supplier of the Group and a holding company of Scania Trade Development AB, a substantial shareholder of the Group up to 4 June 2007 as its shareholding had been diluted to 8.5% on that day.

In addition to the above, Mr. Zhuang You Dao, the director of the Company, has given personal guarantee to the Group for a loan of HK\$5,000,000 granted to a subsidiary to finance its loan to Tianjin Kai Sheng Automobile Service Company Limited ("Tianjin Kai Sheng"), an associate of the Group.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group invested approximately HK\$3,616,000 (six months ended 30 June 2007: HK\$785,000) on property, plant and equipment. During the same period, the Group disposed of certain of its property, plant and equipment with aggregate carrying value of HK\$588,000 (six months ended 30 June 2007: HK\$Nil) with a loss on disposal of approximately HK\$290,000 (six months ended 30 June 2007: gain of HK\$2,000).

10. INTERESTS IN ASSOCIATES

	As at June 30, 2008 (Unaudited)			As at
	Golden Fame HK\$'000	Tianjin Kai Sheng HK\$'000	Total HK\$'000	31 December 2007 (Audited) HK\$'000
Share of net assets	31,254	–	31,254	32,754
Amount due from an associate	–	5,109	5,109	–
Share of net assets	31,254	5,109	36,363	32,754

The amount due from an associate is unsecured, bearing interest at prime rate plus 2% per annum and repayable in 2010. During the period, the Company has received interest income in respect of the amount due amounting to HK\$109,000 (2007: HK\$Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

11. GOODWILL

	As at June 30, 2008 (Unaudited)			As at
	Leapfly Limited	Natural Harvest Investment Limited	Total	31 December 2007
	HK\$'000	HK\$'000	HK\$'000	(Audited) HK\$'000
Carrying value				
Acquisition of subsidiaries	20,000	55,000	75,000	75,000
Impairment loss	(12,000)	(55,000)	(67,000)	(67,000)
	8,000	–	8,000	8,000

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2008 (Unaudited)	As at 31 December 2007 (Audited)
	HK\$'000	HK\$'000
Unlisted equity interests in Taiwan, at cost	6,908	6,908
Unlisted equity interests in Hong Kong, at cost	25,000	25,000
Less: Impairment loss recognised	(31,908)	(31,908)
	–	–

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2008 (Unaudited)	As at 31 December 2007 (Audited)
	HK\$'000	HK\$'000
Listed equity securities in Hong Kong	154,395	209,975

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

14. LOAN RECEIVABLES

Loans granted to borrowers are repayable according to pre-agreed repayment schedules. The balance represents:

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
Loan receivables from third parties	83,273	–
Allowance for bad and doubtful debts	–	–
	83,273	–

An ageing analysis of loan receivables, net of allowance for bad and doubtful debts, is set out below:

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
Within maturity dates	83,273	–

The directors assessed the collectability of loan receivables at the balance sheet date individually with reference to the borrowers' past collection history and current creditworthiness. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK\$83,273,000 (2007: HK\$Nil) and thus, no allowance was considered necessary.

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
Trade receivables	4,138	9,460
Other receivables		
Deposits, prepayments and other debtors	12,985	10,017
	17,123	19,477

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

15. TRADE AND OTHER RECEIVABLES (continued)

The Group grants to its customers credit terms ranging from 1 to 3 months. The ageing analysis of the trade receivables at the balance sheet date is as follows:

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
Under 3 months	3,957	9,190
3 to under 6 months	205	268
6 to under 12 months	19	104
Over 12 months	5,220	5,453
	9,401	15,015
Less: Provision	(5,263)	(5,555)
	4,138	9,460

16. PLEDGED DEPOSITS

As at 30 June 2008, bank deposits of HK\$558,000 (31 December 2007: HK\$558,000) were pledged as collateral for the Group's bank facilities for performance bond as required for certain sale contracts mainly on warranty consideration.

17. TRADE AND OTHER PAYABLES

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
Trade payables	1,394	12,066
Other payables		
Accrued charges and other creditors	5,862	7,166
	7,256	19,232

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

17. TRADE AND OTHER PAYABLES (continued)

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

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
Under 3 months	461	10,772
3 to under 6 months	183	1,043
6 to under 9 months	1	5
9 to under 12 months	2	–
Over 12 months	747	246
	1,394	12,066

18. ZERO COUPON CONVERTIBLE NOTES

The zero coupon convertible notes were fully redeemed in January 2008. The details are listed below:

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
Liability component		
At beginning of period/year	225,160	–
Fair value at inception	–	408,000
Issuing costs	–	(10,200)
Amortisation of effective interest	833	24,000
Redemption	(225,993)	(196,640)
At balance sheet date	–	225,160
Equity component		
At beginning of period/year	99,840	–
Fair value at inception	–	192,000
Issuing costs	–	(4,800)
Redemption	(99,840)	(87,360)
At balance sheet date	–	99,840

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

19. SHARE CAPITAL

	As at 30 June 2008 (Unaudited)		As at 31 December 2007 (Audited)	
	No. of Shares '000	HK\$'000	No. of Shares '000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each				
At beginning of period/year	10,000,000	1,000,000	1,000,000	100,000
Increase in authorised share capital	–	–	9,000,000	900,000
At balance sheet date	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At beginning of period/year	1,785,813	178,581	435,772	43,577
Issue of shares on rights issue	892,906	89,291	–	–
Issuance of new shares	919,222	91,922	909,852	90,985
A&M Allotment	–	–	33,521	3,352
Issuance of shares under share option scheme	147,490	14,749	95,774	9,578
Share issued on conversion of zero coupon convertible notes	–	–	300,000	30,000
Exercise of share option granted to Mr. Jerry Liu	–	–	10,894	1,089
At balance sheet date	3,745,431	374,543	1,785,813	178,581

20. SHARE OPTIONS

On 11 February 2008, 147,490,000 share options were granted under the share option scheme to individuals who provided services for the Group. The options were fully exercised on 12 February 2008 and the Company received proceeds of HK\$31 million.

The fair value of share options granted at the grant date was HK\$0.042 per share, which are calculated using the Binomial option pricing model with the following inputs:

Average share price	HK\$0.221
Weighted average exercise price	HK\$0.213
Expected volatility	141%
Time to maturity	10 years
Risk free rate	2.553%
Suboptimal exercise factor on early exercise behaviour	1.25

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

21. CONTINGENT LIABILITIES

Alleged agreement on investment in a customer

Mr. Lo Chia Yu (“**Mr. Lo**”) has allegedly claimed a verbal agreement was entered into on 12 March 2002 by his wholly-owned company, Global Travel Holdings Limited (“**Global Travel**”) and Forefront Automotive Services Company Limited (“**FAS**”), a wholly-owned subsidiary of the Company, relating to an equity investment by FAS in Global Travel amounting to HK\$7,800,000. FAS’s position is that the agreement was subject to it conducting due diligence on Global Travel to its satisfaction. As requested, FAS paid a deposit of HK\$2,000,000 to Mr. Lo. Subsequently, the accounting firm employed by FAS reported unsatisfactory due diligence, therefore FAS did not elect to proceed with the alleged agreement. Mr. Lo has filed proceedings claiming HK\$7,800,000 together with alternative damage and FAS has lodged a counter claim to Mr. Lo for the return of the HK\$2,000,000 paid as deposit. A contingent liability netting off the counter claims as set out above amounting to HK\$5,800,000 are alleged to be due from FAS to Global Travel. The matter has not progressed after an initial hearing and was adjourned to a further date to be determined by the court subject to its receipt of sufficient documents from the two parties. The Company has not received any notice in relation to any specific dates for any further hearing.

Corporate guarantee granted to Hostbest Limited

During the period, the Group has provided corporate guarantee to a bank for mortgage loan of HK\$14.6 million granted to Hostbest Limited, an indirect wholly-owned subsidiary of the Group until April 2008. The corporate guarantee will be released on 23 October 2008.

22. OPERATING LEASE COMMITMENTS

The Group leases a number of properties under operating leases, which typically run for an initial period of 1-3 years. None of these leases include contingent rentals. At the balance sheet date, the Group had future lease payments under non-cancellable operating leases, which are payable as follows:

	As at 30 June 2008 (Unaudited) HK\$'000	As at 31 December 2007 (Audited) HK\$'000
Within one year	945	2,922
In the second to fifth years inclusive	101	124
	1,046	3,046

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2008

23. POST BALANCE SHEET EVENTS

Other than disclosed elsewhere in these interim financial statements, a summary of post balance sheet events is set out below:

- (a) Pursuant to a subscription agreement dated 26 August 2008 with Excel Way Investments Limited ("**Excel Way**") and Mr. Yeung Ming Kwong, a director of the Company, the Group agreed to subscribe for 51% of the enlarged issued capital of Excel Way at an aggregate consideration of US\$11 million. Excel Way is an investment holding company which will hold 42.86% of the share capital in Tinhua Excel Way Special Fiber (Xintai) Company Limited ("**Tinhua**"). The completion of the subscription will be subject to approval by independent shareholders at the extraordinary general meeting of the Company which will be held on 15 October 2008, a satisfaction due diligence investigation on Excel Way and Tinhua by the Company and entering into a shareholders agreements in relation to the operation of Excel Way.
- (b) On 26 August 2008, the Company announced a share consolidation which is subject to shareholders' approval and the capital reduction of the Company (the "**Capital Reorganisation**"). The effects of the Capital Reorganisation are as follows:
 - (i) Under the capital reduction, the nominal value of all the issued existing share will be reduced from HK\$0.1 each to HK\$0.025 each by cancelling HK\$0.075 paid up on each issued existing share by way of a reduction of capital.
 - (ii) Under the share consolidation, every four reduced issued shares of HK\$0.025 each was consolidated into one adjusted issued share of HK\$0.10 each.
 - (iii) The credit arising from such reduction will be applied towards cancelling the accumulated deficit of the Company with the balance to be transferred to the distributable capital reduction reserve account of the Company.

Management Discussion and Analysis

BUSINESS REVIEW

The Group has the following major business activities during the period under review:

Scania Business

Following the signing of agreements for sale of certain assets and spare parts and a memorandum of understanding (the “**MOU**”) to sell a subsidiary in Shenzhen of the Company on 15 February 2008, a contract for the sale of the Shenzhen subsidiary was finally signed on 1 April 2008 and pending for completion between the Group’s subsidiary and Scania. According to the MOU, distribution agreements of Scania’s vehicles were treated as expired on 31 March 2008 instead of 26 October 2008. The Group inevitably discontinued all related business regarding the Scania’s distributorship since 31 March 2008.

Investment in e-ticketing system in PRC

On 21 August 2007, Great Journey Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire the entire issued share capital of Natural Harvest Investments Limited. Natural Harvest Investment Limited effectively held 49% of equity interest in a PRC Joint Venture (China Railway Information and Technology Limited). China Railway Information and Technology Limited originally had planned for the development, management and operation of an e-ticketing system for railway passengers and related freight cargo services in the PRC by utilising the China Railway Web Portal. The acquisition was completed on 7 September 2007. After the completion of the sale and purchase agreement, the PRC partner refused to provide information of the financing positions, the situation of the injected funds as well as the status of the web portal projects. They even refused to account for the whereabouts of the initial capital contribution of HK\$55 million. On the other hand, they requested immediate capital injection of an additional capital contribution HK\$150 million pursuant to a joint venture agreement. In the opinion of the directors, the PRC partner was a fraudster and a complaint had been lodged with the Commercial Crime Bureau for investigation. The PRC partner had also commenced arbitration proceedings in PRC on the capital injection matter. The Group had obtained a PRC legal opinion and believed that the probability of being successfully claimed by the PRC partner was remote. Legal action against the PRC partner for redress by the Group had not been commenced as the Group is awaiting the result of a similar action by an independent party against the PRC partner. In view of the PRC legal opinion and actual situation, the Board made a full impairment on the investment during the year ended 31 December 2007.

The Company’s indirect non wholly-owned subsidiary, Talenteam Development Limited, received notification dated 4 July 2008 from China International Economic and Trade Arbitration Commission regarding the withdrawal of such arbitration proceedings from the PRC partner.

Management Discussion and Analysis

Tianjin Motor Business

On 11 October 2007, an indirect wholly-owned subsidiary of the Company, Crown Creation Limited, entered into a sale and purchase agreement with Z & Z International Limited to acquire the entire issued share capital of Leapfly Limited. Leapfly Limited holds the entire issued share capital of Suntrend China Limited. The sale and purchase agreement was completed on 23 November 2007. Upon completion, the Group holds 50% of the equity interest in Tianjin Kai Sheng Automobiles Service Co., Ltd. ("**Tianjin Kai Sheng**") through Suntrend China Limited. Tianjin Kai Sheng and its subsidiaries operate automobile sale and repair centers in Tianjin. The centers provide repair and after-sale services under the authorisation of General Motor Asia, Inc. and Zhong Ji Subaru (Beijing) Vehicles Sales Co., Ltd. In addition, Tianjin Kai Sheng and its subsidiaries also provide sales and after-sales services for Zhengzhou Nissan under the authorisation granted by Zhengzhou Nissan Automobiles Sales Company Limited. Since acquisition, Tianjin Kai Sheng has not yet generated profit to the Group and expect to have a positive performance during the second half of the year.

Logistic Services

On 13 September 2007, an indirect wholly-owned subsidiary of the Company, Smart Oriental Limited, invested 40% of the enlarged issued share capital of Golden Fame International Investment Group Limited ("**GFIIGL**"). GFIIGL provides various logistic services in Hong Kong and PRC. GFIIGL contributed profit of approximately HK\$2 million to the Group's results for the year 2007. However, due to increase in world oil price and difficult to increase in selling price during the period under review, the Group shared HK\$1.5 million loss from GFIIGL during the period under review and expect to have favourable contribution while the downturn in world oil price in the second half of the year.

Further, on 28 May 2008, the Group disposed U-Drive Company Limited, a company provides fuel chain services to vehicles customers, to GFIIGL at a consideration of approximately HK\$2 million in order to have better operation support and to tie in with the Group business development strategy.

Property Investment

On 14 April 2008, the Group disposed of two properties (Units 1 to 3, 22/F., China United Centre, No 28 Marble Road, North Point, Hong Kong and Units 5 to 9, 22/F., China United Centre, No. 28 Marble Road, North Point, Hong Kong) together with the mortgage loans through disposal of the entire issued share capital of Allied Well Development Limited, and its wholly-owned subsidiary, Hostbest Limited, in exchange for a consideration of 160,000,000 ordinary share of Willie International Holdings Limited at share price fixing at HK\$0.126 per share. Willie International Holdings Limited is a company listed on the Stock Exchange of Hong Kong Limited. This disposal has generated an approximately HK\$3.6 million contribution to the Group.

Trading of securities

The Group invested its surplus cash in Hong Kong's listed securities as a short-term investment. The Hong Kong stock market continuously underwent a severe correction as a result of the US subprime mortgage crisis. During the period under review, the Group recorded a realised and unrealised loss of HK\$29 million and HK\$39 million respectively.

Money lending business

The Group also used its surplus cash to provide short-term loans to vary borrowers. Those short-term loans normally carried interest rate of prime rate to prime rate plus 4% per annum.

Management Discussion and Analysis

OUTLOOK

On 26 August 2008, the Company announced that Ready Capital Limited, an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with Excel Way Investments Limited ("Excel Way") and Mr. Yeung Ming Kwong, an executive director of the Company, pursuant to which, amongst other things, Excel Way agreed to allot and issue and Ready Capital Limited agreed to subscribe for 51% of the enlarged issued share capital of Excel Way at an aggregate consideration of US\$11 million. The completion of the subscription is subject to the approval by independent shareholders on the subscription agreement at the EGM of the Company which will be held on 15 October 2008, a satisfaction due diligence investigation on Excel Way and Tinhua Excel Way Special Fiber (Xintai) Company Limited ("Tinhua") by the Company and entering into a shareholders agreements in relation to the operation of Excel Way. If the subscription is completed, the Company will hold effective interest of 21.86% in Tinhua. Tinhua will operate as manufacture of carbon fiber in PRC. Details of the subscription can be referred to the Company's announcement dated 26 August 2008 and circular dated 16 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Result for the period

For the six months ended 30 June 2008, the Group recorded a loss from operation of HK\$66.74 million (2007 (restated): HK\$16.31 million) on turnover of HK\$136.49 million (2007 (restated): HK\$72.53 million).

The net loss attributable to shareholders for the period was HK\$68.23 million (2007: HK\$21.42 million).

The increase in turnover was mainly due to the increase in share dealings and the provision of financial services during the period.

The increase in operating loss was mainly due to the realised loss of HK\$28.75 million and unrealised loss of HK\$39.49 million on securities dealings.

Liquidity, financial resources, borrowing and gearing ratio

During the period under review, the Group financed its original operation largely through internal cash resources and fund raising activities. As at the balance sheet date, the Group maintained cash and bank balances of approximately HK\$93.29 million (as at 31 December 2007: HK\$24.61 million). The increase in cash and bank balances was mainly contributed from the rights issue, grant of option shares and placing exercises during the period. The Group's gearing ratio, calculated as total borrowings divided by net assets, is stated at 0% (as at 31 December 2007: 97.23%) since the Group had no outstanding borrowing as at 30 June 2008 (as at 31 December 2007: HK\$240 million).

As at 30 June 2008, the Group's net assets value amounted to approximately HK\$431.36 million (as at 31 December 2007: HK\$246.88 million) with total assets approximately HK\$438.62 million (as at 31 December 2007: HK\$506.16 million). Net current assets were approximately HK\$383.82 million (as at 31 December 2007: HK\$174.88 million) and the current ratio was 53.90 times (as at 31 December 2007: 1.67 times). The existing available cash and bank balances are considered adequate liquidity and capital resource for the Group's operation requirements.

Management Discussion and Analysis

Capital structure

On 4 December 2007, the Company announced that it proposed to raise not less than HK\$172 million after expenses by way of rights issue of 892,906,512 rights share to the qualifying shareholders at a price of HK\$0.20 per right share on the basis of one rights share for every two existing shares held on the record date (i.e. 3 January 2008). On 22 January 2008, an aggregate of 1,191,064,032 rights shares and excess right shares have been applied for, representing 133.39% of the total number of 892,906,512 rights shares offered under the rights issue. Immediately after completion of the rights issues, the Company's share capital increased from 1,785,813,024 shares to 2,678,719,536 shares. The Company received a net proceeds of approximately HK\$172 million from the rights issues.

On 11 February 2008, 147,490,000 share options were granted to qualified allottees under the share option scheme at an exercise price of HK\$0.213 per ordinary share of HK\$0.1 each. These share options were fully exercised on 12 February 2008. The Company received a proceed of approximately HK\$31.4 million.

On 11 February 2008, the Company through a placing agent to place 294,983,744 shares to independent investors at the placing price of HK\$0.20 per share. The placing was completed on 21 February 2008. The Company received a net proceed of approximately HK\$58 million from the subscription which were intended to be used for working capital of the Group.

On 16 June 2008, the Company through a placing agent to place 624,238,000 shares to independent investors at the placing price of HK\$0.142 per share. The placing was completed on 27 June 2008. The Company received a net proceed of approximately HK\$86.27 million from the subscription which were intended to be used for working capital of the Group.

On 26 August 2008, the Company announced and proposed that the nominal value of the issue share capital be reduced from HK\$0.10 each to HK\$0.025 by cancelling HK\$0.075 paid up on each share by way of capital reduction and every four issued reduced shares of HK\$0.025 be consolidated into one consolidated share of HK\$0.10. This reorganisation of capital is subject to the shareholders approval at the EGM of the Company which will be held on 15 October 2008 and the approval by the Grand Court of Cayman Islands.

Charge on Group assets

As at 30 June 2008, the Group deposited approximately HK\$558,000 (as at 31 December 2007: HK\$558,000) as collateral to satisfy contingent warranty and delivery obligations in relation to certain sales contracts.

Corporate guarantee

As at 30 June 2008, the Group has provided corporate guarantee to a bank for mortgage loan of HK\$14.6 million granted to Hostbest Limited, an indirect wholly-owned subsidiary of the Group until April 2008. The corporate guarantee will be released on 23 October 2008.

Exchange rate exposure

The Group is not subject to foreign currency exposure since its operations are mainly denominated in Kong Hong dollars.

Disclosure of Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (six months ended 30 June 2007: HK\$Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION

As at 30 June 2008, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of the Listed Companies and which were required to be entered in the register to be kept under section 352 of the SFO were as follows:

Name	Nature of interests	Number of shares	% of voting right
Yeung Ming Kwong	Beneficial owner	22,350,000	0.60%
Louis Wen (Note)	Interest attributed by spouse	150,000	0.01%

Note: These shares are held by Ms. Warphon Suwannahong, who is the spouse of Mr. Louis Wen, an executive director of the Company.

Save as disclosed above, as at 30 June 2008, none of the Directors or the chief executive had under Division 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Listing Rules.

EMPLOYEES

As at 30 June 2008, the Group had approximately 16 employees in Hong Kong and Mainland China. Remuneration packages including basic salary, bonus and benefits in kind are structured by reference to market terms and individual merit and are reviewed on annual basis based on performance.

Disclosure of Other Information

SHARE OPTIONS

The Company adopted a new share option scheme (the “Scheme”) on 6 August 2007. Under the Scheme, the Directors may grant Options to those Participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. The following table discloses movement in the Company’s share options under the Scheme during the Period.

Category of participant	Date of grant	Exercise price	As at 1 January 2008	Granted during the period	Exercised during the period	As at 30 June 2008
Qualified allotees in aggregate	11 February 2008	HK\$0.213	–	147,490,000	(147,490,000)	–

SUBSTANTIAL SHAREHOLDERS

The following table set forth information regarding ownership of and short positions in, the outstanding shares as at 30 June 2008 by those persons who beneficially own more than 5% of the issued shares, as recorded in the register maintained by the Company pursuant to Part XV of the Securities and Future Ordinance.

Name	Number of shares (Long position)	% of voting right (Long position)	Number of shares (short position)	% of voting right (short position)
Willie International Holdings Limited (Note 1)	225,945,000	6.03	–	–
Pearl Decade Limited (Note 1)	225,945,000	6.03	–	–
Unity Investments Holdings Limited (Note 2)	197,389,000	5.27	–	–
Great Panorama International Limited (Note 2)	197,389,000	5.27	–	–
Get Nice Holdings Ltd (Note 3)	624,238,000	16.67%	–	–
Get Nice Securities Ltd (Note 3)	624,238,000	16.67%	–	–

Note 1: Willie International Holdings Limited (Stock code: 273, a company listed on the Stock Exchange, is interested in the share capital of the Company through its wholly-owned subsidiary Willie Resources Incorporated which in turn wholly owns Rawcliffe International Limited. Rawcliffe International Limited in turn wholly owns Nice Hill International Limited and which in turn wholly owns Pearl Decade Limited.

Note 2: Unity Investments Holdings Limited (stock code: 913), a company listed on the Stock Exchange, is interested in the share capital of the Company through its wholly-owned subsidiary Gufalore Investment Limited and which in turn wholly owns Great Panorama International Limited. Ms. Kristi L. Swartz is an independent non-executive director of the Company and Unity Investments Holdings Limited.

Note 3: Get Nice Holdings Limited (Stock code: 64), a company listed on the Stock Exchange, is interested in the Get Nice Incorporated and which in turn wholly owns Get Nice Securities Ltd. Get Nice Securities Ltd is placing agent of the Company of the said 624,238,000 shares.

Disclosure of Other Information

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, in the opinion of the Directors, the Company has complied with Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2008.

- a) Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has no such title as the Chief Executive Officer but the daily operation and management of the Company is monitored by the executive directors. On 27 February 2008, Ms. Yau Shum Tek, Cindy, resigned from her post as Chairwoman of the Company due to health reason. Mr. Yeung Ming Kwong, executive director of the Company, was appointed as acting Chairman of the Group.
- b) Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term and be subject to re-election. The Company has not fixed the term of appointment for non-executive directors, which constitutes a deviation from Code Provision of A.4.1. However, all non-executive directors are also subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to Article 116 in the Articles of Association of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealing in securities of the Company by the directors. All directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period.

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the CG Code. The Remuneration Committee comprises three Independent Non-executive Directors and an Executive Director.

AUDIT COMMITTEE

The unaudited interim financial report of the Group for the six months ended 30 June 2008 have been reviewed by the Audit Committee of the Company. The audit committee comprises three independent Non-executive directors namely Mr. Chung Yuk Lun, Mr. Kwong Wai Tim, William and Ms. Lam Yan Fong, Flora.

APPRECIATION

On behalf of the Directors, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, the continuing support of our business partners, customers and the Company's shareholders.

BY ORDER OF THE BOARD

YEUNG MING KWONG
DIRECTOR

Hong Kong, 19 September 2008