

2008 HALF - YEAR REPORT



Trasy Gold Ex Limited
卓施金網有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 08063

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report for which the directors (the “Directors”) of TRASY GOLD EX LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2008, the consolidated revenue of Trasy Gold Ex Limited (the “Company”) and its subsidiaries (collectively, the “Group”) amounted to HK\$6,393,000 (six months ended 30 June 2007: HK\$5,129,000), which mainly represented trading of precious metals, dividend income from investments held for trading and interest income.

Dividend income from investments held for trading and interest income for the six months ended 30 June 2008 amounted to HK\$120,000 and HK\$1,693,000 respectively (six months ended 30 June 2007: HK\$Nil and HK\$1,024,000 respectively).

Notwithstanding the downturn of the Hong Kong and global stock market during the first half of 2008, the Group still recorded a net gain on investments held for trading amounting to HK\$4,553,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: HK\$1,025,000). As a result, the Group recorded a profit attributable to equity holders of the Company of HK\$2,891,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: HK\$827,000), representing a basic earnings per share of HK 0.052 cent (six months ended 30 June 2007: HK 0.028 cent).

OPERATIONS REVIEW AND OUTLOOK

For the six months ended 30 June 2008, turnover from precious metals trading amounted to HK\$4,510,000 (six months ended 30 June 2007: HK\$34,000), with profit contribution amounted to HK\$47,000. At the same time, a net unrealized loss of HK\$35,000 was recorded for the precious metals held as at 30 June 2008 (as at 30 June 2007: HK\$Nil). The Group will continue to adopt prudent risk management and internal control policies to monitor and minimize the Group’s risk exposures in precious metals trading.

The Hong Kong stock market has been rather volatile in the first half of 2008. For the six months ended 30 June 2008, the Group recorded a net gain on investment held for trading of HK\$4,553,000 (six months ended 30 June 2007: HK\$1,025,000). The Group will continue to adopt a pro-active yet prudent treasury management policy with a view to achieving better returns on its financial resources.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

On 14 February 2008, the Company issued 1,997,205,000 rights shares at a price of HK\$0.055 per rights share by way of rights issue on the basis of one rights share for every two shares held on 11 January 2008. Upon the issue of the rights shares, the resulting shares issued were recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the proceeds per share over the nominal value of the shares was recorded by the Company in the share premium account.

The Group continues to maintain a healthy balance sheet. As at 30 June 2008, the Group had net current assets of HK\$379.6 million (as at 31 December 2007: HK\$269.3 million), representing an increase of 41.0% as compared to 31 December 2007. Cash and cash equivalents as at 30 June 2008 rose 47.8% to HK\$332.5 million from HK\$225.0 million as at 31 December 2007. The increase in cash and cash equivalents is primarily due to the cash proceeds received from issuance of new shares from the rights issue during the period.

As at 30 June 2008, the Group's current ratio was 223.2 times (as at 31 December 2007: 34.0 times). As the Group has no borrowings or banking facilities as at 30 June 2008 and 31 December 2007, the Group's gearing ratio for the two balance sheet dates was zero. Up to the date of this report, no debt financing activities are currently in place or proposed.

The Group's assets and liabilities are mainly denominated in Hong Kong dollars and United States dollars. The Directors consider that the Group is not exposed to any significant foreign currency risk and thereby no related hedge was made by the Group during the period.

CHARGES ON GROUP ASSETS

As at 30 June 2008 and 31 December 2007, none of the Group's assets has been pledged.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2008 and 31 December 2007.

CHANGE OF AUDITOR

The Board appointed Deloitte Touche Tohmatsu on 6 May 2008 as auditor of the Group to fill the vacancy arising from the resignation of Moore Stephens as the Company wants to obtain better international support and more auxiliary services to the Group to cope with its future business development.

SIGNIFICANT INVESTMENTS

There were no significant investments during the six months period ended 30 June 2008 and 2007.

SIGNIFICANT ACQUISITION AND DISPOSAL DURING THE PERIOD AS WELL AS OUTLOOK AND FUTURE PROSPECTS

During the period, the Group did not have any significant acquisition or disposal of investment. The Group managed to complete a fund raising exercise during the period enabling it to continue to maintain a strong asset base to seize on and grasp any investment opportunities once they arise. They will be either financed by the Group's internal resources, external borrowings, or raising of fund or a combination of both.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees was 11 as at 30 June 2008 (31 December 2007: 8 employees). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus and share options may be granted to eligible employees based on the Group's and individual's performance.

The Company adopted a share option scheme ("Scheme") at the annual general meeting of the Company held on 30 April 2002. Under the Scheme, the Directors may, at their discretion, grant options to any eligible participants which enable them to subscribe for shares in aggregate not exceeding 30% of the shares in issue of the Company from time to time (including shares which have been allotted and issued pursuant to any other share option scheme).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period ended 30 June 2008 (2007: Nil).

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF TRASY GOLD EX LIMITED

Introduction

We have reviewed the interim financial information set out on pages 7 to 22, which comprises the condensed consolidated balance sheet of Trasy Gold Ex Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The GEM Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

12 August 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2008

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover		3,706	1,787	4,510	3,335
Cost of sales		(3,726)	—	(4,498)	—
Gross profit		(20)	1,787	12	3,335
Other income		1,625	906	1,883	1,794
Administrative expenses		(2,297)	(2,187)	(3,546)	(4,367)
Net gain on investments held for trading		2,299	873	4,553	1,025
Finance costs		(3)	(697)	(11)	(960)
Profit before income tax		1,604	682	2,891	827
Income tax expense	4	—	—	—	—
Profit for the period	5	<u>1,604</u>	<u>682</u>	<u>2,891</u>	<u>827</u>
Earnings per share	7				
Basic (HK cent)		<u>0.027</u>	0.023	<u>0.052</u>	<u>0.028</u>
Diluted (HK cent)		<u>0.027</u>	0.023	<u>0.052</u>	<u>0.028</u>

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 June 2008*

	Notes	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		178	540
Available-for-sale investments		136	136
Other assets		250	250
		<u>564</u>	<u>926</u>
CURRENT ASSETS			
Inventories		858	—
Trade and other receivables	8	7,756	10,561
Investments held for trading		40,222	41,919
Cash and cash equivalents		332,470	224,987
		<u>381,306</u>	<u>277,467</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,708	8,169
NET CURRENT ASSETS			
		<u>379,598</u>	<u>269,298</u>
		<u><u>380,162</u></u>	<u><u>270,224</u></u>
CAPITAL AND RESERVES			
Share capital	10	59,916	39,944
Share premium and reserves		320,246	230,280
		<u>380,162</u>	<u>270,224</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008 (audited)	39,944	254,796	5,000	3,215	(32,731)	270,224
Profit for the period and total recognized income for the period	—	—	—	—	2,891	2,891
Recognition of equity-settled share-based payments	—	—	—	13	—	13
Transfer to accumulated losses upon lapse of share options	—	—	—	(2,852)	2,852	—
Shares issued	19,972	89,874	—	—	—	109,846
Transaction costs attributable to issue of shares	—	(2,812)	—	—	—	(2,812)
At 30 June 2008 (unaudited)	<u>59,916</u>	<u>341,858</u>	<u>5,000</u>	<u>376</u>	<u>(26,988)</u>	<u>380,162</u>
At 1 January 2007 (audited)	27,790	47,629	5,000	—	(31,838)	48,581
Profit for the period and total recognized income for the period	—	—	—	—	827	827
Recognition of equity-settled share-based payments	—	—	—	69	—	69
Exercise of share options	1	21	—	(2)	—	20
Shares issued	5,500	104,500	—	—	—	110,000
Transaction costs attributable to issue of shares	—	(3,638)	—	—	—	(3,638)
At 30 June 2007 (unaudited)	<u>33,291</u>	<u>148,512</u>	<u>5,000</u>	<u>67</u>	<u>(31,011)</u>	<u>155,859</u>

CONSOLIDATED CASH FLOW STATEMENT*For the period ended 30 June 2008*

	Six months ended	
	30 June	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(1,244)	(28,938)
Net cash from investing activities	1,693	1,028
Net cash from financing activities:		
Proceeds from issue of shares	109,846	110,020
Transaction costs attributable to issue of shares	(2,812)	(3,638)
Other financing cash flows	—	(960)
	107,034	105,422
Net increase in cash and cash equivalents	107,483	77,512
Cash and cash equivalents at 1 January	224,987	45,968
Cash and cash equivalents at 30 June	332,470	123,480
Being:		
Time deposits	5,346	122,949
Cash and bank balances	327,124	531
	332,470	123,480

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable provisions of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In current period, the presentation of turnover, cost of sales and net gain on investments held for trading adopted in the condensed consolidated income statement has been changed to reflect the nature of sales of investments held for trading in a more appropriate manner.

In the current period, the following items have been included in a new line item “net gain on investments held for trading”:

	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Proceeds from sales of investments held for trading (previously included in turnover)	246,940	28,306	331,183	37,881
Cost of sales of investments held for trading (previously included in cost of sales)	(242,679)	(27,108)	(321,928)	(36,576)
Unrealized loss on investments held for trading (previously shown as a separate line item)	(1,962)	(325)	(4,702)	(280)
	<u>2,299</u>	<u>873</u>	<u>4,553</u>	<u>1,025</u>

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008.

HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

The Group has not early applied the new, revised or amended standards and interpretations that have been issued but not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³

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

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group's operations are currently organized into three operating divisions, namely provision and operation of an internet-based electronic trading system, precious metals trading and treasury investments. These divisions are the basis on which the Group reports its primary segment information.

Analyses of the Group's turnover and contribution by business segments are as follows:

	Provision and operation of an internet-based electronic trading system HK\$'000	Precious metals trading HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Six months ended				
30 June 2008 (unaudited)				
GROSS PROCEEDS	<u>—</u>	<u>4,510</u>	<u>331,183</u>	<u>335,693</u>
TURNOVER	<u>—</u>	<u>4,510</u>	<u>—</u>	<u>4,510</u>
RESULT				
Segment result	<u>(86)</u>	<u>(14)</u>	<u>4,531</u>	4,431
Unallocated corporate revenue				1,763
Unallocated corporate expenses				(3,292)
Finance costs				<u>(11)</u>
Profit before income tax				2,891
Income tax expense				<u>—</u>
Profit for the period				<u>2,891</u>

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Provision and operation of an internet-based electronic trading system HK\$'000	Precious metals trading HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Three months ended				
30 June 2008 (unaudited)				
GROSS PROCEEDS	<u>—</u>	<u>3,706</u>	<u>246,940</u>	<u>250,646</u>
TURNOVER	<u>—</u>	<u>3,706</u>	<u>—</u>	<u>3,706</u>
RESULT				
Segment result	<u>(43)</u>	<u>8</u>	<u>2,123</u>	2,088
Unallocated corporate revenue				1,624
Unallocated corporate expenses				(2,105)
Finance costs				<u>(3)</u>
Profit before income tax				1,604
Income tax expense				<u>—</u>
Profit for the period				<u>1,604</u>

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Provision and operation of an internet-based electronic trading system HK\$'000	Precious metals trading HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Six months ended				
30 June 2007 (unaudited)				
GROSS PROCEEDS	<u>3,301</u>	<u>34</u>	<u>37,881</u>	<u>41,216</u>
TURNOVER	<u>3,301</u>	<u>34</u>	<u>—</u>	<u>3,335</u>
RESULT				
Segment result	<u>2,925</u>	<u>412</u>	<u>1,097</u>	4,434
Unallocated corporate revenue				1,234
Unallocated corporate expenses				(3,881)
Finance costs				<u>(960)</u>
Profit before income tax				827
Income tax expense				<u>—</u>
Profit for the period				<u>827</u>

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Provision and operation of an internet-based electronic trading system HK\$'000	Precious metals trading HK\$'000	Treasury investments HK\$'000	Total HK\$'000
Three months ended				
30 June 2007 (unaudited)				
GROSS PROCEEDS	<u>1,722</u>	<u>65</u>	<u>28,306</u>	<u>30,093</u>
TURNOVER	<u>1,722</u>	<u>65</u>	<u>—</u>	<u>1,787</u>
RESULT				
Segment result	<u>1,535</u>	<u>245</u>	<u>934</u>	2,714
Unallocated corporate revenue				610
Unallocated corporate expenses				(1,945)
Finance costs				<u>(697)</u>
Profit before income tax				682
Income tax expense				<u>—</u>
Profit for the period				<u>682</u>

Geographical segments

No geographical segment analysis is presented for the period as more than 90% of the Group's turnover is generated in Hong Kong.

4. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses or utilized tax losses brought forward from prior years to offset against the estimated assessable profit for the period.

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current tax for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months and the three months ended 30 June 2008.

5. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging (crediting):

	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	37	46	90	91
Loss on disposal of property, plant and equipment	272	—	272	—
Unrealized loss on gold bullion	35	—	35	—
Bank interest income	<u>(1,624)</u>	<u>(505)</u>	<u>(1,693)</u>	<u>(1,024)</u>

6. DIVIDENDS

No dividends were paid and the directors do not recommend the payment of an interim dividend during the period (2007: nil).

7. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Earnings for the purpose of basic and diluted earnings per share	<u>1,604</u>	<u>682</u>	<u>2,891</u>	<u>827</u>
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,991,615	2,964,966	5,553,862	2,933,573
Effect of dilutive potential ordinary shares:				
Share options	<u>—</u>	<u>13</u>	<u>—</u>	<u>7</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>5,991,615</u>	<u>2,964,979</u>	<u>5,553,862</u>	<u>2,933,580</u>

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the rights issue on 14 February 2008.

Diluted earnings per share are not presented for the three months and six months ended 30 June 2008 as the exercise price of the outstanding share options is higher than the average market price for shares.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$5,732,000 (31 December 2007: approximately HK\$1,090,000) and their aging analysis is as follows:

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
0 - 30 days	4,642	1,090
Over 90 days	<u>1,090</u>	<u>—</u>
	<u><u>5,732</u></u>	<u><u>1,090</u></u>

The Group generally allows an average credit period of 30 days to its trade customers.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$112,000 (31 December 2007: approximately HK\$12,000) and the aging analysis is as follows:

	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
0 - 30 days	100	—
Over 90 days	<u>12</u>	<u>12</u>
	<u><u>112</u></u>	<u><u>12</u></u>

10. SHARE CAPITAL

	Number of shares	HK\$'000
Authorized:		
Ordinary shares of HK\$0.01 each	<u>180,000,000,000</u>	<u>1,800,000</u>
Issued and fully paid:		
At 1 January 2008	3,994,410,000	39,944
Issue of shares (note)	<u>1,997,205,000</u>	<u>19,972</u>
At 30 June 2008	<u>5,991,615,000</u>	<u>59,916</u>

Note:

On 14 February 2008, the Company issued 1,997,205,000 rights shares at a price of HK\$0.055 per rights share by way of rights issue on the basis of one rights share for every two shares held on 11 January 2008. Upon the issue of the rights shares, the resulting shares issued were recorded by the Company as additional share capital at the nominal value of the shares.

11. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible participants of the Group. Details of the share options outstanding during the period and the prior period are as follows:

For the period ended 30 June 2008

Date of grant	Adjusted exercise price per share HK\$ (Note)	Outstanding at 1 January 2008	Granted during the period	Lapsed during the period	Outstanding before adjustment	Adjusted outstanding at 30 June 2008 (Note)
1 June 2007	0.2144	3,390,000	—	(2,550,000)	840,000	859,418
6 June 2007	0.1968	900,000	—	—	900,000	920,808
9 July 2007	0.3225	41,400,000	—	(37,000,000)	4,400,000	4,501,731
		45,690,000	—	(39,550,000)	6,140,000	6,281,957
Exercisable at the end of the period					5,460,000	5,586,237

11. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

For the period ended 30 June 2007

Date of grant	Exercise price per share HK\$	Outstanding at 1 January 2007	Granted during the period	Lapsed during the period	Outstanding at 30 June 2007
1 June 2007	0.2194	—	4,400,000	(100,000)	4,300,000
6 June 2007	0.2014	—	1,000,000	—	1,000,000
		<u>—</u>	<u>5,400,000</u>	<u>(100,000)</u>	<u>5,300,000</u>
Exercisable at the end of the period					<u>1,440,000</u>

Note:

Adjustments had been made to the exercise price and the number of share options outstanding in accordance with the terms of the share option scheme as a result of the rights issue on 14 February 2008.

Share options granted on 1 June 2007 and 6 June 2007 are exercisable in stages during the option period in the following manner:

- i. first one-third of share options granted become exercisable from the grant date;
- ii. second one-third of share options granted shall become exercisable one year after the grant date; and
- iii. third one-third of share options granted shall become exercisable two years after the grant date.

Share options granted on 9 July 2007 become exercisable from the grant date.

The share options were granted on 1 June 2007, 6 June 2007 and 9 July 2007. The fair values per option determined at the dates of grant using the Binominal option pricing model were HK\$0.0361, HK\$0.0248 and HK\$0.0756 respectively.

11. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Note: (Continued)

The following parameters and assumptions were used to calculate the fair value of share options granted:

Grant date of share options	1 June 2007	6 June 2007	9 July 2007
Number of share options granted	4,400,000	1,000,000	60,400,000
Exercise price per share (before the adjustment for rights issue)	HK\$0.2194	HK\$0.2014	HK\$0.3300
Option period	Within 3 years from the grant date	Within 3 years from the grant date	Within 3 years from the grant date
Share price on the grant date	HK\$0.231	HK\$0.163	HK\$0.238
Expected volatility	14.34%	14.34%	33.73%
Risk-free interest rate	4.355%	4.355%	4.471%
Expected dividend yield	Nil	Nil	Nil

The expected volatilities were estimated by the average annualized standard deviation of the continuously compounded rates of return on share prices of the Company or comparable companies as of the grant date.

12. POST BALANCE SHEET DATE EVENTS

Subsequent to the balance sheet date, the Company proposed to consolidate every 50 issued and unissued shares into one consolidated share (the "Share Consolidation"), change the board lot size for trading in the shares from 10,000 shares to 2,000 consolidated shares and reduce the par value of each issued consolidated share from HK\$0.50 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.49 on each issued consolidated share and sub-divide every unissued share of HK\$0.50 each into 50 shares of HK\$0.01 each (the "Capital Reduction and Sub-division"). The Share Consolidation will become unconditional upon the approval of the shareholders of the Company at an extraordinary general meeting to be held on 13 August 2008 and approval for the listing of and permission to deal in the consolidated shares is being granted by the GEM listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Capital Reduction and Sub-division will become unconditional upon the Share Consolidation becoming effective; the approval of the shareholders of the Company at an extraordinary general meeting of the Company to be held on 13 August 2008; the approval for the listing of and permission to deal in the new shares of HK\$0.01 each is being granted by the Stock Exchange and the approval and compliance with any conditions imposed by the Grand Court of the Cayman Islands.

Details of the above were set out in the Company's announcement dated 8 July 2008 and the Company's circular dated 21 July 2008.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Interests in underlying shares of the Company

Under the share option scheme of the Company adopted on 30 April 2002 (the "Scheme"), the Board may, at its discretion, grant options to the Directors and eligible participants (as defined in the Scheme) pursuant to the Scheme to enable them to subscribe for shares of the Company as incentives or rewards for their contribution to the Group.

Details of options granted to the Directors are as follows:

Name of Directors	Nature of interest	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of shares to be issued under the option	Approximate percentage of the issued ordinary share capital of the Company
Mr. Chung Koon Yan	Personal interest	9 July 2007	9 July 2007 to 8 July 2010	0.3225	1,534,681	0.026%
Mr. Wong Kai Tat	Personal interest	9 July 2007	9 July 2007 to 8 July 2010	0.3225	1,534,681	0.026%

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company which were recorded on the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the required standard of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules as at 30 June 2008.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

At 30 June 2008, so far as is known to the Directors and chief executives of the Company, the interests or short positions of substantial shareholders or other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Interests and short positions of substantial shareholders in shares of the Company

Name	Nature of interest	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Mr. Tse Young Lai	Personal interest	Long position	1,198,323,000	20.00%

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2008.

SHARE OPTIONS

Details of the movements in the share options of the Company during the six months ended 30 June 2008 are set out in note 11 to the financial statements.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules which came into effect on 1 January 2005 as its own code of corporate governance practices.

During the six months ended 30 June 2008, the Company was in compliance with the code provisions set out in the CG Code except for the following:

Deviations from the CG Code	Relevant CG Code provisions	Remedial steps have been taken to comply with the CG Code
1. The role and responsibilities between the Chairman and chief executive officer have not been divided.	A.2.1	The roles and functions of Chairman and chief executive officer have been performed by the two executive Directors collectively.
2. The non-executive Directors are not appointed for a specified term but are subject to the provision for retirement and rotation of Directors under the Articles of Association of the Company (the “Articles”).	A.4.1	The non-executive Directors were not appointed for a specified term but they are subject to the retirement at the first general meeting after their appointment and thereafter subject to retirement by rotation at least once every three years in accordance with the Articles.

Save as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 June 2008.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2008, the Company had complied with the code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chung Koon Yan (as Chairman), Mr. Wong Kai Tat and Ms. Chan Ling, Eva, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2008.

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

The Company has not redeemed any of its shares during the six months ended 30 June 2008. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

On behalf of the Board

Tse Ke Li

Executive Director

Hong Kong, 12 August 2008

As at the date of this report, the Board comprises Mr. Yu Kam Kee, Lawrence as non-executive Chairman, Mr. Tang Chi Ming and Mr. Tse Ke Li as executive Directors, and Mr. Chung Koon Yan, Mr. Wong Kai Tat and Ms. Chan Ling, Eva as independent non-executive Directors.