



AURORA

Aurora Global Investment Holdings Limited

旭日環球投資控股有限公司*

(Stock Code : 353)

(Incorporated in the Cayman Islands with limited liability)



Interim
Report
2007

* For identification purpose only

The Board of Directors (the “Board” or “Directors”) of Aurora Global Investment Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 30 June 2007 (the “Period”). The unaudited condensed consolidated financial statements were not audited but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2007

	Notes	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Revenue	3	17,458	11,002
Cost of sales		(23,445)	(12,520)
Gross loss		(5,987)	(1,518)
Other revenue and income		1,040	849
Selling and distribution expenses		(1,367)	(1,009)
Administrative expenses		(16,674)	(21,854)
Other operating expenses		(930)	(8,670)
Operating loss		(23,918)	(32,202)
Finance costs	6	(20)	(89)
Loss before income tax	5	(23,938)	(32,291)
Income tax expense	7	—	—
Loss for the period		(23,938)	(32,291)
Attributable to:			
Equity holders of the Company		(23,938)	(32,301)
Minority interests		—	10
		(23,938)	(32,291)
Loss per share attributable			
to equity holders of the Company	9		
— Basic, HK cents		(3.8)	(6.2)
— Diluted, HK cents		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 June 2007*

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		74,664	73,952
Prepaid lease payments		4,855	4,912
Deposits		18,355	3,750
		97,874	82,614
Current assets			
Inventories		4,611	4,033
Trade and bills receivables	10	9,374	4,504
Prepayments, deposits and other receivables		9,709	8,590
Cash at bank and in hand		89,596	776
		113,290	17,903
Current liabilities			
Trade payables	11	15,847	9,723
Deposits received, other payables and accruals		34,161	25,611
Amounts due to directors		1,100	1,143
Finance lease payable		87	76
Bank borrowings		—	5
Tax payable		143	—
		51,338	36,558
Net current assets/(liabilities)		61,952	(18,655)
Total assets less current liabilities		159,826	63,959
Non-current liabilities			
Finance lease payable		176	234
Amounts due to minority shareholders		9,010	924
Net assets		150,640	62,801
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	8,135	5,519
Reserves		142,722	57,499
		150,857	63,018
Minority interests		(217)	(217)
Total equity		150,640	62,801

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2007

	Equity attributable to equity holders of the Company							Minority Interest	Total equity	
	Share capital	Capital reserves	Share premium	Assets revaluation reserve	Exchange reserve	Share option reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006 (Audited)	5,252	137,610	85,981	9,735	100	—	(152,559)	86,119	(227)	85,892
Equity-settled share option arrangement	—	—	—	—	—	8,016	—	8,016	—	8,016
Net loss for the period	—	—	—	—	—	—	(32,301)	(32,301)	10	(32,291)
At 30 June 2006 (Unaudited)	5,252	137,610	85,981	9,735	100	8,016	(184,860)	61,834	(217)	61,617
At 1 January 2007 (Audited)	5,519	137,610	100,046	9,726	2,933	5,910	(198,726)	63,018	(217)	62,801
Issue of shares (note 13)	2,400	—	100,896	—	—	—	—	103,296	—	103,296
Exercise of share options and issue of shares (note 13(d))	216	—	12,824	—	—	(4,559)	—	8,481	—	8,481
Net loss for the Period	—	—	—	—	—	—	(23,938)	(23,938)	—	(23,938)
At 30 June 2007 (Unaudited)	8,135	137,610	213,766	9,726	2,933	1,351	(222,664)	150,857	(217)	150,640

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the period ended 30 June 2007*

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash outflow from operating activities	(9,461)	(942)
Net cash outflow from investing activities	(4,032)	(761)
Net cash inflow/(outflow) from financing activities	102,318	(612)
Net increase/(decrease) in cash and cash equivalents	88,825	(2,315)
Cash and cash equivalents at 1 January	771	6,931
Cash and cash equivalents at 30 June	89,596	4,616

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the period ended 30 June 2007

1. BASIS OF PREPARATION

These unaudited 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 (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report contains the condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position performance of the Group since the 2006 annual financial statement. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Report Standards (HKFRSs), which term collectively includes HKASs and Interpretations (“INTs”).

The preparation of the interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but have been reviewed by the Audit Committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for the revaluation of certain property, plant and equipment and certain financial assets and liabilities, which are measured at fair value.

The accounting and basis of preparation adopted in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2006, except in relation to the following amendments to and interpretation of HKFRSs issued by HKICPA that affect the Group and are adopted for the first time for the current period’s financial statements:

Amendment to HKAS 1	“Presentation of Financial Statements” — Capital Disclosures ⁽¹⁾
HKFRS 7	“Financial Instruments: Disclosures” ⁽¹⁾
HK(IFRIC) Interpretation 7	“Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies” ⁽²⁾
HK(IFRIC) Interpretation 8	“Scope of HKFRS 2” ⁽³⁾
HK(IFRIC) Interpretation 9	“Reassessment of Embedded Derivatives” ⁽⁴⁾
HK(IFRIC) Interpretation 10	“Interim Financial Reporting and Impairment” ⁽⁵⁾

- (1) Effective for annual periods beginning on or after 1 January 2007
- (2) Effective for annual periods beginning on or after 1 March 2006
- (3) Effective for annual periods beginning on or after 1 May 2006
- (4) Effective for annual periods beginning on or after 1 June 2006
- (5) Effective for annual periods beginning on or after 1 November 2006

The adoption of the above HKFRSs did not result in material impact on the accounting policies of the Group's condensed consolidated financial statements.

The Group has not early adopted certain accounting Standards or Interpretations that have been issued but not yet effective. The adoption of such Standards and Interpretations will not result in substantial changes to the Group's accounting policies.

3. REVENUE

Revenue, which is also the Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Period. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the manufacture of carpets segment represents the manufacture and sale of carpets under the Group's own brand name; and
- (b) the trading of carpets segment represents the trading of carpets of other renowned brand names.
- (c) the trading of other goods segment represents the trading of other goods from imports and exports.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers.

(a) Business segments

The following table presents revenue and results for the Group's business segments.

	Manufacturing of carpets six months ended 30 June		Trading of carpets six months ended 30 June		Trading of other goods six months ended 30 June		Consolidated six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	4,904	4,501	9,482	6,501	3,072	—	17,458	11,002
Segment results	(3,281)	(11,675)	(8,429)	(5,737)	(356)	—	(12,066)	(17,412)
Unallocated other operating income							215	18
Share-base payment							—	(8,016)
Unallocated expenses							(12,067)	(6,792)
Finance costs							(20)	(89)
Loss before income tax							(23,938)	(32,291)
Income tax							—	—
Loss for the period							(23,938)	(32,291)

(b) Geographical segments

The following table presents revenue and results for the Group's geographical segments.

	Hong Kong six months ended 30 June		The People's Republic of China (the "PRC") six months ended 30 June		Overseas six months ended 30 June		Consolidated six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	8,863	4,541	5,704	4,649	2,891	1,812	17,458	11,002
Segment results	(20,657)	(20,616)	(3,281)	(11,675)	—	—	(23,938)	(32,291)

5. LOSS BEFORE INCOME TAX

The Group's loss before income tax is arrived at after charging:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	20,061	10,190
Fair value of options granted	—	8,016
Depreciation	4,093	3,596
Impairment loss of goodwill	1,081	—
Amortisation of prepaid lease payments	57	55
Staff costs (including directors' emoluments)	8,348	5,407

6. FINANCE COSTS

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest charged on:		
Bank loans and overdrafts wholly repayable within five years	—	63
Finance leases	20	11
Other loans	—	15
	20	89

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax is required since the Group did not have any assessable profit for the Period (2006: Nil).

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend in respect of the Period (2006: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of the Company of HK\$23,938,000 (2006: HK\$32,301,000) and on the weighted average number of ordinary shares of 634,056,851 (six months ended 30 June 2006: 525,200,000) in issue during the Period.

Dilutive loss per share for the Period was not presented because the exercise of the Company's share options will reduce loss per share which is anti-dilutive.

10. TRADE AND BILL RECEIVABLES

The Group normally allows credit terms ranging from 30 to 120 days to established customers.

An aging analysis of the trade receivables, net of provisions, as at the balance sheet date, based on the date of recognition of the sales, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
1-90 days	3,804	3,567
91-120 days	2,308	153
121-365 days	2,294	471
Over 1 year	2,705	2,050
	11,111	6,241
Less: Provision for impairment of trade receivables	(1,737)	(1,737)
Trade receivables - net	9,374	4,504

11. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
1-90 days	7,973	5,926
91-120 days	3,157	2,603
121-365 days	2,042	967
Over 1 year	2,675	227
	15,847	9,723

12. ACQUISITION OF SUBSIDIARIES

During the six months ended 30 June 2007, the Group acquired 100% interest in Go On Foundate Company Limited (“Go On”) and 70% interest in Win Alliance Development Limited (“Win Alliance”). The acquisition has been accounted for using business combination method of accounting.

On 8 December 2006, Wise Mount Management Limited (“Wise Mount”), a wholly owned subsidiary of the Company, and Ms Sheng De Cruz Li entered into conditional sales and purchase agreement pursuant to which Wise Mount agreed to acquire the equity interests of Win Alliance which represented 70% of the registered share capital of Win Alliance. Win Alliance is principally manufacturing and trading of carpets and trading of other commodities such as seamless steel pipes and steel. *(Please also refer the Company's announcement and circular dated 14 December 2006 and 2 January 2007 for further details.)*

The fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries acquired by the Group and dealt with in the interim condensed consolidated financial statements at the dates of acquisition are as follows:

	Win Alliance (Unaudited) HK\$'000	Go On (Unaudited) HK\$'000
Net assets acquired:		
Property, plant and equipment	1,892	284
Deposits	18,355	—
Trade receivables	2,499	—
Prepayments, deposits and other receivables	1,633	—
Cash and bank balances	1	—
Trade payables	(2,274)	—
Other payables and accruals	(78)	—
Finance lease payable	—	(298)
Due to the directors	(16)	(313)
Tax payable	(143)	—
	21,869	(327)
Minority interests	(8,623)	—
Goodwill arising on acquisition	754	327
	14,000	—
Fair value of net assets at dates of acquisition		
Satisfied or represented by:		
Cash	5,000	—
Shares allotment (Note 13(a))	9,000	—
	14,000	—

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries are as follows:

	Win Alliance (Unaudited) HK\$'000	Go On (Unaudited) HK\$'000
Cash and bank balances acquired and net inflow of cash and cash equivalents in respect of the consolidation of subsidiary in the condensed consolidated balance sheet	1	—
Less: Cash consideration	(5,000)	—
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiary in the consolidated cash flow statements	(4,999)	—

Note:

Since the date of the acquisitions, Win Alliance and Go On have recorded a loss of HK\$382,000 and HK\$43,000 to the Group's loss distributable to equity shareholders of the Company respectively and Win Alliance has contributed a revenue of HK\$2,398,000 for the four months ended 30 June 2007.

13. SHARE CAPITAL

	Notes	30 June 2007		31 December 2006	
		Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised:					
Ordinary shares of HK\$0.01 each		20,000,000	200,000	20,000,000	200,000
Issued and fully paid:					
At 1 January,					
ordinary shares of HK\$0.01 each		551,900	5,519	525,200	5,252
Shares issued on 16 February 2007	(a)	18,000	180	—	—
Shares issued on 16 March 2007	(b)	87,000	870	—	—
Shares issued on 25 June 2007	(c)	135,000	1,350	—	—
Exercise of share options and issue of shares	(d)	21,550	216	26,700	267
At 30 June/31 December					
ordinary shares of HK\$0.01 each		813,450	8,135	551,900	5,519

Notes:

- (a) On 16 February 2007, the Company issued 18,000,000 new ordinary shares at HK\$0.50 per share to Ms Sheng De Cruz Li to complete the balance of the consideration of the conditional sale and purchase agreement (to acquire 70% equity interest in Win Alliance Development Limited) entered into on 8 December 2006. These issued shares rank pari passu with other shares in issue in all respects.
- (b) In March 2007, the Company entered into placement agreement between Enlighten Securities Limited as placing agent, pursuant to which an aggregate of 87,000,000 new ordinary shares were placed by the placing agent on behalf of the Company, on a fully underwritten basis at the price of HK\$0.308 per placing share with six independent investors. Immediately after the completion of the aforesaid placing, the Company issued 87,000,000 new Shares at HK\$0.308 per share to six independent investors on 16 March 2007. These issued new shares rank pari passu with other shares in issue in all respects.

- (c) In June 2007, the Company entered into placement agreement between Enlighten Securities Limited as placing agent, pursuant to which an aggregate of 135,000,000 new ordinary shares were placed by the placing agent on behalf of the Company, on a fully underwritten basis at the price of HK\$0.50 per placing share with six independent investors. Immediately after the completion of the aforesaid placing, the Company issued 135,000,000 new Shares at HK\$0.50 per share to six independent investors on 25 June 2007. These issued new shares rank pari passu with other shares in issue in all respects.
- (d) During the Period, subscription rights attached to the 10,900,000 share options, 6,200,000 share options and 4,450,000 share options of the Company were exercised at subscription prices of HK\$0.35, HK\$0.365 and HK\$0.54 per share respectively. As a result of the subscription, the Company allotted, issued and fully paid 21,550,000 new Shares of HK\$0.01 each. These issued new Shares rank pari passu with other shares in issue in all respects.

14. SHARE BASED COMPENSATION

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group and any minority shareholder in the Company’s subsidiaries. The Scheme was adopted on 6 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time.

Pursuant to the extraordinary general meeting passed on 10 March 2006, the general scheme limit of the Company’s share option scheme has been reset to 52,520,000 shares, representing 10% of the Company’s issued share capital on the date of meeting, with the passing of ordinary resolution, which allowing the Company to grant further options carrying the rights to subscribe for a maximum of 52,520,000 shares.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1%, of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, in addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of:

- (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options;
- (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and
- (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of the outstanding share options under the Scheme during the period for the six months ended 30 June 2007 were as follow:

Participants	Date of grant	Number of share options outstanding at 1 January 2007 ('000)	Exercise price per share HK\$	Exercise period	Number of share options exercised during the period ('000)	Number of share options balance as at 30 June 2007 ('000)	Closing price immediately before the date on which the options were granted HK\$
Directors							
Mr. Pang Man Kin, Nixon	7 March 2006	5,000	0.350	10 March 2006 to 9 March 2011	5,000	—	0.350
Mr. Tsao Ke Wen, Calvin	7 March 2006	500	0.350	10 March 2006 to 9 March 2011	500	—	0.350
Mr. Law Fei Shing	7 March 2006	3,000	0.350	10 March 2006 to 9 March 2011	3,000	—	0.350
Dr. Ma Chung Wo, Cameron	7 March 2006	500	0.350	10 March 2006 to 9 March 2011	500	—	0.350
Directors of subsidiaries							
In aggregate	7 March 2006	1,500	0.350	10 March 2006 to 9 March 2011	1,500	—	0.350
	27 November 2006	8,720	0.540	27 November 2006 to 9 March 2011	4,450	4,270	0.540
Other employees							
In aggregate	7 March 2006	400	0.350	10 March 2006 to 9 March 2011	400	—	0.350
	2 May 2006	3,200	0.365	2 May 2006 to 9 March 2011	3,200	—	0.365
Third parties							
	2 May 2006	3,000	0.365	2 May 2006 to 9 March 2011	3,000	—	0.365
Total		25,820			21,550	4,270	

Note: All of above share options can be exercised immediately upon acceptance of the offer by the grantee and there were no vesting conditions/period.

15. OPERATING LEASE COMMITMENTS

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	1,833	3,474
In the second to fifth years, inclusive	194	521
	2,027	3,995

16. OPERATING SUB-LEASE ARRANGEMENTS

At 30 June 2007, the Group had total future minimum lease receipts under non-cancellable operating sub-lease falling due as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	—	822
In the second to fifth years, inclusive	—	—
	—	822

17. COMMITMENTS

On 27 March 2007, the Group entered into an agreement regarding an investment into a Chinese Foreign Equity Joint Venture Company, Hebei Da Sheng Warranty Company Limited ("Da Sheng"), where the Group would inject US\$6,375,000 (equivalent to approximately HK\$51,000,000) as capital. The contribution by the Group to the registered capital shall be made in the following manner:

- (i) US\$3,125,000 (equivalent to approximately HK\$25,000,000) within three months after the date of signing the agreement, that is 26 June 2007, in which HK\$10,000,000 has been injected into Da Sheng, the balance of HK\$15,000,000 will be injected; and
- (ii) US\$3,250,000 (equivalent to approximately HK\$26,000,000) by the end of two years from the date of issuance of business license of Da Sheng, that is September 2008.

18. POST BALANCE SHEET EVENT

- (a) On 8 July 2007, the Group entered into the conditional Share Transfer Agreement with Ms Leung Lai Ching, Margaret as the Vendor. Under the Share Transfer Agreement, the wholly owned subsidiary of the Company, Smooth Way International Limited (“Smooth Way”) has agreed to acquire 51% of the entire issued share capital of Kanson Development Limited at completion from the Vendor at the consideration totaling HK\$1,000 million in value (*Please also refer the Company’s announcement dated 20 July 2007 for further details*).

- (b) On 18 July 2007, the Company entered into a placement agreement between Guotai Junan Securities (Hong Kong) Limited as placing agent, pursuant to which an aggregate of 135,000,000 new ordinary shares were placed by the placing agent on behalf of the Company, on a fully underwritten basis at the price of HK\$0.69 per share to six independent investors on 2 August 2007. These issued new shares rank pari passu with other shares in issue in all respects. (*Please also refer the Company’s announcement dated 20 July 2007 for further details*).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

For the six months period ended 30 June 2007, the Group's turnover and net loss were approximately HK\$17 million (2006: HK\$11 million) and HK\$23.94 million (2006: HK\$32.29 million) respectively. The turnover of the Group was substantially increased by approximately 58.7% as compared to the corresponding period of last year and this increase was mainly due to acquire a subsidiary of trading of other goods and improved by Hong Kong economic growth.

The Group continued to focus on the existing business CARPET MANUFACTURING AND DISTRIBUTION to take productive approach to review and strengthen for its future growth and improve profitability. In the meantime, the Group invested LOGISTIC AND FINANCE BUSINESS in Da Sheng which will board the source of the income and contribute steady profit in the future.

Carpet Manufacturing and Distribution

For the six months period ended 30 June 2007, the Group's turnover was HK\$14 million, compared with approximately HK\$11 million for the same period last year, an increase of about 27.3% and the loss of the segment is HK\$11.7 million as compared with HK\$17.4 million for the same period last year.

For the first half of 2007, the Group continued to engage in the manufacturing and distribution of carpets. During the Period, although the Group benefited from the revival of the construction and property development markets in Hong Kong and Macau's booming casino and resort markets, and the continued growth in the same sector in PRC, the Group still recorded a net loss of its business due to the intensive competition of the carpet industry. Furthermore, the prices of raw material increased in tandem with the increase in crude oil prices globally and these additional costs could not be fully passed on to end customers due to the very keen pricing competition in the markets the Group operates in.

The Group will enhance product development and technology innovation and raising product value with the aim of increasing the profit margin of products and exercised tight control of incremental selling expenses. Moreover, the Group will try to reduce the effect brought by the floatation of oil price by reinforcing procurement management.

Trading of Other Goods

In March 2007, the Group acquired 70% interest of Win Alliance Development Limited which enable the Group to expand the trading of seamless steel and other goods business to diversify the Group's source of income. For the six months period ended 30 June 2007, the turnover of the segment was HK\$3 million (2006: Nil) and the loss of the segment is HK\$356,000 (2006: Nil). The Group will try to improve the gross profit of trading and further explore the customer base to contribute a profit in the future.

Logistic and Financial Business

In July 2007, the Group acquired 51% interest of Hebei Da Sheng Warranty Company Limited ("Da Sheng"). The principal business of Da Sheng is to support the enterprises by acting as guarantor of the enterprise and to secure bank finance by providing guarantees to the financial institutional to secure the credit facilities to these enterprises thereby allowing the enterprise to obtain additional credit limit.

At the beginning of the operation, Da Sheng incurs administrative expenses and does not offer a very exciting profit profile. Nevertheless, the management of Da Sheng will dedicate more resources to attract more prospective target customers and will work diligently to achieve the goal in order to generate a profit to the Group in the coming future.

Liquidity and financial resources

Based on the unaudited management account for the six months ended 30 June 2007, the Group's total current assets were HK\$113 million and its total current liabilities were HK\$51 million. As at 30 June 2007, the Group cash and bank balances were amounted to HK\$89 million (31 December 2006: HK\$776,000). The Group recorded the net current assets was HK\$62 million.

Current and gearing ratio

As at 30 June 2007, the Group had total assets of HK\$211 million (31 December 2006: HK\$ 100.5 million), total liabilities of HK\$60 million (31 December 2006: HK\$37.7 million), indicating a gearing ratio of 0.28 (31 December 2006: 0.37) on the basis of total liabilities over total assets. The current ratio of the Group for the Period was 2.21 (31 December 2006: 0.49).

Number and remuneration of employees

The Group total number of employees was approximately 141 employees (2006: 140) in Hong Kong and PRC for the period ended 30 June 2007. The Group recognized the importance of maintaining good working relationships with its employees and accordingly, strives to maintain remunerations at competitive levels and in line with industry practice.

The Company adopted a share option scheme (the “Share Option Scheme”) pursuant to an ordinary resolution passed by the shareholders of the Company on 6 June 2002. The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contributions to the Group and to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

Foreign currency exposure

The Group did not have any significant exposure to and did not hedge against risks associated with foreign currency fluctuation.

Contingent liabilities

As at 30 June 2007, the Group did not have any significant contingent liabilities.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2007, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept 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 for Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

Long Positions in Ordinary Shares of the Company

Name of Director	Nature of interests	Number of shares held	Approximate percentage of shareholding
Mr. Tsao Ke Wen, Calvin (Note 1)	Corporate	120,000,000	14.75%
Mr. Lam Shu Chung (Note 2)	Corporate	24,638,750	3.03%
Mr. Pang Man Kin, Nixon	Personal	5,000,000	0.61%
Mr. Law Fei Shing	Personal	3,000,000	0.37%
Dr. Ma Chung Wo, Cameron	Personal	500,000	0.06%

Notes:

1. L & L Holdings Limited (“L & L”) owned ordinary shares of the Company. This company is incorporated in the Republic of the Marshall Islands. The entire issued share capital of L & L is wholly and beneficially owned by Mr. Tsao Ke Wen Calvin.
2. Prime Orient International Limited (“Prime Orient”) owned ordinary shares of the Company. This company is incorporated in the British Virgin Islands. The entire issued share capital of Prime Orient is wholly and beneficially owned by Mr. Lam Shu Chung who resigned as executive Director on 20 July 2007.

Save as disclosed above, as at 30 June 2007, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and none of the directors or the spouses, or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised and such right during the period.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2007, the following corporations had interests (as defined in the SFO) in the Company set opposite its respective name:

Name	Number of shares held	Approximate percentage of shareholding
L & L (Note)	120,000,000	14.75%
Mr. Tsao Ke Wen, Calvin (Note)	120,000,000	14.75%

Note:

The shareholding are duplicated in the disclosure in the “Directors’ Interests and short positions in the securities of the company and its associated corporations” section above.

All the interests stated above represent long positions in the ordinary shares of the Company. As at 30 June 2007, no short positions were recorded in the register maintained by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

REMUNERATION COMMITTEE

The Remuneration Committee, established in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, comprises the three independent non-executive Directors of the Company and the Chairman of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management of the Company and making recommendations to the board of directors from time to time.

NOMINATION COMMITTEE

The Nomination Committee, established in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, comprises the three independent non-executive Directors of the Company and the Chairman of the Company, is responsible for making recommendations to the Board on the appointment of Directors and management of the Board succession.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2007. The Audit Committee comprises the three independent non-executive Directors of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and ensuring high standards of corporate governance practices. Throughout the six months ended 30 June 2007, the Company has complied with all the applicable code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2007.

APPRECIATION

I take this opportunity to express our gratitude to the Shareholders of the Company for their continued support and our Directors and our staff for their contribution to the Company.

By Order of the Board
Law Fei Shing
Executive Director

Hong Kong, 27 September 2007

As at the date of this report, the executive directors are Mr. Owen Tam, Mr. Tsao Ke Wen Calvin, Mr. Law Fei Shing, Mr. So Chi Keung, Mr. Fok Po Tin, Mr. Leung Kai Hung and Mr. Delon Yeung; the non-executive director is Dr. Ma Chung Wo, Cameron and the independent non-executive directors are Mr. Lum Pak Sum, Mr. Wan Hon Keung and Mr. Sun Tak Keung.