

The background features a stylized world map in shades of blue and white, set against a bright blue sky with radiating light rays. In the center, a golden ship's steering wheel is superimposed, with a globe of the Earth at its center. The globe shows the continents and is surrounded by a grid of latitude and longitude lines. The ship's wheel has eight spokes, each ending in a golden handle.

Interim Report 2008



DYNAMIC GLOBAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock code : 231

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Mr. Chen Jung Hsin (*Chief Executive Officer*)

Mr. Li Wing Sum, Steven

Independent Non-executive Directors:

Dr. Dong Ansheng

Mr. Poon Chiu

Mr. Wu Fengchun

Audit Committee

Mr. Poon Chiu (*Committee Chairman*)

Dr. Dong Ansheng

Mr. Wu Fengchun

Remuneration Committee

Dr. Dong Ansheng (*Committee Chairman*)

Mr. Poon Chiu

Mr. Wu Fengchun

Mr. Chen Jung Hsin

Nomination Committee

Dr. Dong Ansheng (*Committee Chairman*)

Mr. Poon Chiu

Mr. Wu Fengchun

Mr. Chen Jung Hsin

Authorised Representatives

Mr. Li Wing Sum, Steven

Mr. Chan Kwan Pak

Company Secretary

Mr. Chan Kwan Pak

Qualified Accountant

Mr. Ong Kam Chit, Vincent

Auditors

CCIF CPA Limited

20/F, Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited

Bank of Communications Co. Ltd.

(Hong Kong Branch)

Principal Registrars and Transfer Offices

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Registrar and Transfer Office

Tricor Tengis Limited

26/F, Tesbury Centre

28 Queen's Road East

Hong Kong

Registered Office

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Head Office and Principal Places of Business

Units 2212-2217, 22/F

The Metropolis Tower

10 Metropolis Drive

Hunghom

Kowloon

Hong Kong

Website

www.dgholdings.com.hk

Stock Code

00231

The board of directors (the "Board") of Dynamic Global Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended	
		30.6.2008 (Unaudited) HK\$'000	30.6.2007 (Unaudited) HK\$'000
Turnover	3	32,470	188,796
Cost of sales		(16,610)	(184,420)
Gross profit		15,860	4,376
Other revenue		227	65
Distribution costs		(1,574)	(4,629)
Administrative expenses		(17,248)	(13,735)
Other operating expenses		-	(8,517)
Loss from operations	4	(2,735)	(22,440)
Finance costs	5	(3,045)	(4,092)
Loss before taxation		(5,780)	(26,532)
Income tax	6	-	(3,063)
Loss for the period		(5,780)	(29,595)
Attributable to:			
Equity holders of the Company		(6,165)	(29,362)
Minority interests		385	(233)
		(5,780)	(29,595)
Loss per share	8		
- Basic		(0.176 cents)	(0.975 cents)
- Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30.6.2008 (Unaudited) HK\$'000	31.12.2007 (Audited) HK\$'000
Non-current assets			
Interests in leasehold land held for own use under operating leases		6,129	5,864
Property, plant and equipment		13,620	13,228
Investment properties	9	304,447	286,174
		324,196	305,266
Currents assets			
Consumables		811	683
Inventories		27,430	41,181
Trade receivables	10	7,545	7,423
Due from a former director of the Company		–	20,000
Other receivables, deposits and prepayments		17,682	18,070
Pledged and restricted bank balances		570	2,698
Cash and cash equivalents		8,622	34,743
		62,660	124,798
Current liabilities			
Trade payables	11	35,451	37,768
Other payables and accruals		22,198	49,988
Deposits received on sale of properties		25,154	19,012
Rental deposit received		2,851	2,680
Rental received in advance		92	4,662
Non-interest bearing borrowings	12	–	52,407
Interest-bearing borrowings	12	–	83,945
Due to a minority shareholder	12	–	3,707
Due to a subsidiary of the Company's substantial shareholder	13	–	84,591
Tax payable		538	505
Provisions	14	5,180	32,856
		91,464	372,121

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	<i>Note</i>	30.6.2008 (Unaudited) HK\$'000	31.12.2007 (Audited) HK\$'000
Net current liabilities		(28,804)	(247,323)
Total assets less current liabilities		295,392	57,943
Non-current liabilities			
Due to a subsidiary of the Company's substantial shareholder	13	145,367	–
Deferred tax liabilities		39,547	37,174
		184,914	37,174
Net assets		110,478	20,769
Capital and reserves			
Share capital	15	361,249	301,041
Reserves		(310,787)	(336,283)
Total equity attributable to equity shareholders of the Company		50,462	(35,242)
Minority interests		60,016	56,011
Total equity		110,478	20,769

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange equalisation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2007	301,041	63,528	222,194	52	11,689	(695,587)	(97,083)	21,650	(75,433)
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	-	7,454	-	7,454	1,651	9,105
Profit for the year	-	-	-	-	-	54,387	54,387	32,710	87,097
At 31 December 2007 and 1 January 2008	301,041	63,528	222,194	52	19,143	(641,200)	(35,242)	56,011	20,769
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	-	10,465	-	10,465	3,620	14,085
Issue of shares	60,208	21,196	-	-	-	-	81,404	-	81,404
Loss for the period	-	-	-	-	-	(6,165)	(6,165)	385	(5,780)
At 30 June 2008	361,249	84,724	222,194	52	29,608	(647,365)	50,462	60,016	110,478
At January 2007	301,041	63,528	222,194	52	11,689	(695,587)	(97,083)	21,650	(75,433)
Exchange differences on translation of the financial statements of overseas subsidiaries	-	-	-	-	936	-	936	737	1,673
Loss for the period	-	-	-	-	-	(29,362)	(29,362)	(233)	(29,595)
At 30 June 2007	301,041	63,528	222,194	52	12,625	(724,949)	(125,509)	22,154	(103,353)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30.6.2008 (Unaudited) HK\$'000	30.6.2007 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	10,172	(5,694)
Net cash generated from/(used in) investing activities	1,277	(6,887)
Net cash (used in)/generated from financing activities	(35,350)	19,822
Net (decrease)/increase in cash and cash equivalents	(23,901)	7,241
Cash and cash equivalents at beginning of the period	34,743	3,843
Effect of foreign exchange rate changes, net	(2,220)	(2,588)
Cash and cash equivalents at end of the period	8,622	8,496
Analysis of balances of cash and cash equivalents		
Cash and bank balances	8,622	8,496

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. Basis of preparation

The 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Principal accounting policies

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are stated at fair value.

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 interpretations ("new interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 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 these new Interpretations 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 recognized.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are 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.

2. Principal accounting policies (continued)

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, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

The Group's turnover and segment results analysed by business segments, which is the primary segment, are as follows:

	Property development		Property leasing		Investment holding		Resort operation		Others		Consolidated	
	Six months ended 30 June											
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Segment revenue:												
Sales to external customers	25,998	188,092	5,437	-	-	-	-	-	1,035	704	32,470	188,796
Other revenue	-	7	-	-	18	1	-	-	136	2	154	10
Total	25,998	188,099	5,437	-	18	1	-	-	1,171	706	32,624	188,806
Segment results	3,698	(14,137)	1,300	(1,142)	(5,973)	(6,349)	(993)	(1,065)	(840)	198	(2,808)	(22,495)
Interest income											73	55
Loss from operations											(2,735)	(22,440)
Finance costs											(3,045)	(4,092)
Loss before taxation											(5,780)	(26,532)
Income tax											-	(3,063)
Loss for the period											(5,780)	(29,595)

4. Loss from operations

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

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Amortisation of land lease premium	110	99
Depreciation of property, plant and equipment	1,374	1,269
Impairment losses on trade and other receivables	–	63
Provision for legal claims	–	7,039
Provision for compensations	–	1,415
Interest income	(73)	(55)

5. Finance costs

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Interest on other loans wholly repayable within five years	3,045	5,076
Less: Amounts capitalized in property, plant and equipment	–	(984)
	3,045	4,092

6. Income tax

No provision for Hong Kong Profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period (30.6.2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Current tax		
PRC Enterprise income tax	–	3,063

7. Dividend

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (30.6.2007: Nil).

8. Loss per share

The calculation of the basic loss per share is based on the loss attributable to the ordinary equity shareholders of the Company for the period of approximately HK\$6,165,000 (30.6.2007: loss of approximately HK\$29,362,000) and on the weighted average of 3,498,955,680 (30.6.2007: 3,010,410,504) ordinary shares in issue during the period.

No diluted loss per share has been presented for the periods ended 30 June 2008 and 2007 as there were no diluted potential ordinary shares during either period.

9. Investment properties

The fair values of the Group's investment properties at 30 June 2008 have been arrived at on an open market value basis by adopting the investment valuation method. The valuation was carried out by an independent professionally qualified valuer. There was no change in the fair values of the Group's investment properties in the current period.

10. Trade receivables

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to two to three months. Credit limits were set for customers. The aging analysis of such debtors is as follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Within 3 months	–	6,658
More than 3 months but less than 6 months	–	120
More than 6 months but less than 1 year	7,545	645
	7,545	7,423

11. Trade payables

An aging analysis of the trade payables is as follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Within 3 months	–	2,958
More than 3 months but less than 6 months	–	688
More than 6 months but less than 1 year	3,879	973
More than 1 year but less than 2 years	23,096	22,707
More than 2 years	8,476	10,442
	35,451	37,768

12. Non-interest bearing borrowings, interest-bearing borrowings and amount due to a minority shareholder

On 12 December 2007, the Company entered into a conditional loan settlement agreement with a loan creditor, pursuant to which the loan would be settled in full by capitalizing the loan (the principal amount together with accrued interest up to the date of agreement amounted to HK\$42,499,850) into the capital of the Company by means of issuing and allotting 314,348,000 shares to the loan creditor. The shares were allotted on 28 January 2008.

On 30 April 2008 and 16 June 2008, a subsidiary of the Company's substantial shareholder (the "Loan Assignee") entered into various loan assignment agreements with the Company/the Company's subsidiaries and all other loan creditors whereby the loan outstanding totally approximately HK\$33,459,000 due to those loan creditors as at the date of assignment (including all outstanding interest-bearing borrowings, non-interest bearing borrowings and amount due to a minority shareholder) were assigned to the Loan Assignee at a consideration of approximately HK\$33,459,000.

13. Due to a subsidiary of the Company's substantial shareholder

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Loans	102,495	77,130
Accrued interest	9,413	7,461
	111,908	84,591
Loans assigned per loan assignment agreements dated 30 April 2008 and 16 June 2008 (note 12)	33,459	–
	145,367	84,591
Less: Amount due for settlement with 12 months (shown under current liabilities)	–	(84,591)
Non-current portion	145,367	–

The terms of the loans are stated in note 16(a) (ii) to the condensed financial statements.

14. Provisions

The movements of the provisions are as follows:

	<i>Note</i>	30.6.2008 HK\$'000	31.12.2007 HK\$'000
(a) Provision for legal claims			
Balance brought forward		28,225	24,548
Exchange adjustments		1,802	1,815
Additional provision			
– Compensation for late payment	<i>(i)</i>	–	1,884
– Compensation for breach of pre-sale contracts	<i>(ii)</i>	–	7,617
Waiver of certain claims		–	(1,498)
Settlements made		(27,068)	(6,141)
Balance carried forward	<i>(i) & (ii)</i>	2,959	28,225
(b) Provision for compensations			
Balance brought forward		4,631	9,987
Exchange adjustments		296	738
Additional provision			
– Compensation for breach of pre-sale contracts	<i>(ii)</i>	–	2,650
Waiver of certain compensations		–	(1,486)
Settlements made		(2,706)	(7,258)
Balance carried forward	<i>(ii)</i>	2,221	4,631
		5,180	32,856

14. Provisions (continued)

- (i) In January 2004, a PRC subsidiary of the Company (the "Subsidiary") signed a pre-sale agreement (the "Pre-Sale Agreement") with a buyer (the "Buyer") to sell 25 units of properties under development for sale in Shanghai for a total sum of approximately RMB50,000,000 (approximately HK\$48,077,000). A deposit of approximately RMB20,000,000 (approximately HK\$19,231,000) was received by the Subsidiary. The amount was recorded in the consolidated balance sheet. However, the Buyer was unable to arrange bank financing to pay the balance of consideration of approximately RMB30,000,000 (approximately HK\$28,846,000). As such, the Buyer informed the Subsidiary to terminate the Pre-Sale Agreement and requested the Subsidiary to refund the said deposit. The Subsidiary had not refunded the deposits but demanded the Buyer to pay the balance of consideration. As a result, the Buyer commenced legal action against the Subsidiary.

On 11 November 2004, a judgement in favour of the Buyer was made by a court in mainland China. According to the judgement, the Subsidiary was required to refund the deposits and make a compensation of approximately RMB3,502,000 (approximately HK\$3,304,000) to the Buyer. The Subsidiary filed an appeal with the Shanghai People's Supreme Court (上海市高級人民法院). However, on 24 February 2005, the Supreme Court affirmed the judgement made by the lower court. Therefore, a provision of RMB3,502,000 (approximately HK\$3,304,000) was made in 2004. On 23 December 2005, properties under development for sale with a gross area of 1,433.17 square metres were seized by the court for forced sale at a consideration of RMB7,000,000 (approximately HK\$6,986,000) by a court order. Upon completion of the transaction in 2006, provision for legal claims and other payables and accruals amounted to RMB3,502,000 (approximately HK\$3,304,000) and RMB3,010,000 (approximately HK\$2,895,000) respectively were deducted directly from this consideration.

On 28 August 2006, the Subsidiary received a claim of overdue interest amounted to approximately RMB1,758,000 on late payments made by the Subsidiary to the Buyer. A judgement in favour of the Buyer was made by Shanghai Pudong District People's Supreme Court (上海市浦東新區人民法院). The court ordered to seize the bank balance or equivalent assets of the Subsidiary amounted to approximately RMB1,758,000. On 21 September 2006, two residential units with a gross area of 315.08 square metres were seized by the Buyer. As at 31 December 2007, provision for legal claims of approximately RMB1,758,000 (approximately HK\$1,884,000) was made.

- (ii) The Subsidiary entered into contracts ("Pre-sale Contracts") with some buyers since 2003 for pre-sale of its properties under development for sale (the "Properties"). According to the terms of the Pre-sale Contracts, if the Properties were not assigned to the buyers on or before 31 December 2004, the buyers were eligible for compensation at the rate of 0.02% per day on deposits paid as from 1 January 2005 until the Properties were assigned to the buyers.

During 2005, 130 buyers took legal actions against the Subsidiary for compensation. Accordingly, provision for legal claims of the 130 buyers and provision for compensations for the rest of all other buyers in accordance with the terms of the Pre-sale Contracts amounted respectively to approximately RMB10,521,000 (approximately HK\$10,116,000) and RMB14,264,000 (approximately HK\$13,714,000) were made in 2005.

14. Provisions *(continued)*

During 2006, the Group settled the claims for the 130 buyers as mentioned above by payment of RMB10,521,000 (approximately HK\$10,116,000). During 2006, 225 buyers took legal actions to claim against the Subsidiary for compensation. Accordingly, RMB7,282,000 (approximately HK\$7,002,000) was reclassified from provision for compensation to provision for legal claims. Since the Properties have not been assigned to these 225 buyers at that year end, additional provision for legal claims amounting to RMB17,315,000 (approximately HK\$17,280,000) was made.

On the other hand, RMB2,073,000 (approximately HK\$1,992,000) have been paid for the provision for compensation in 2006. Since the Properties had not been assigned to the buyers as at 31 December 2006, additional provision for compensation amounting to RMB5,098,000 (approximately HK\$5,088,000) was accounted for.

During 2007, the Group settled the claims for the 225 buyers as mentioned above by payment of RMB5,729,000 (approximately HK\$6,141,000). The Properties were completed and assigned to buyers on 23 May 2007. Additional provision for legal claims up to 23 May 2007 amounting to RMB7,106,000 (approximately HK\$7,617,000) was made. During 2007, the Group signed resolution agreements with some buyers and part of legal claim in aggregate amount of approximately RMB1,398,000 (approximately HK\$1,498,000) was waived according to the resolution agreements.

During the current period, the Group settled the claims for the 225 buyers as mentioned above by payment of approximately RMB23,739,000 (approximately HK\$27,068,000).

On the other hand, RMB6,772,000 (approximately HK\$7,258,000) have been paid for the provision for compensations in 2007. The Properties were completed in 2007 and assigned to buyers on 23 May 2007. Additional provision for compensation up to 23 May 2007 amounting to RMB2,472,000 (approximately HK\$2,650,000) was made. During 2007, the Group signed resolution agreements with some buyers and part of the compensation in aggregate amount of approximately RMB1,387,000 (approximately HK\$1,486,000) was waived according to the resolution agreements.

During the current period, approximately RMB2,373,000 (approximately HK\$2,706,000) have been paid for the provision for compensations.

15. Share capital

	30.6.2008		31.12.2007	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.1 each	4,000,000,000	400,000	4,000,000,000	400,000
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January 2007 and 1 January 2008	3,010,410,504	301,041	3,010,410,504	301,041
Issue of shares (note (a) and (b))	602,082,000	60,208	–	–
At 30 June 2008 and 31 December 2007	3,612,492,504	361,249	3,010,410,504	301,041

Note:

- (a) The Company entered into two conditional subscription agreements (with subsequent supplemental agreements) with two subscribers on 12 December 2007 and 14 December 2007 respectively. According to the subscription agreements, the two subscribers agreed to subscribe for an aggregate of 287,734,000 shares at a subscription price of HK\$0.13521 per share in an aggregate amount of HK\$38,904,514. The shares were allotted to the two subscribers on 28 January 2008 and 29 February 2008 respectively.
- (b) On 12 December 2007, the Company also entered into a conditional loan settlement agreement with a loan creditor, pursuant to which the loan would be settled in full by capitalizing the loan (the principal amount together with accrued interest up to the date of agreement amounted to HK\$42,499,850) into the capital of the Company by means of issuing and allotting 314,348,000 shares to the loan creditor. The shares were allotted on 28 January 2008.

16. Material related party transactions

a) Financing arrangement

	Note	Amounts owed to related parties		Related interest expenses	
		30.6.2008	31.12.2007	Six months ended	
		HK\$'000	HK\$'000	30.6.2008	30.6.2007
				HK\$'000	HK\$'000
Amount due to a minority shareholder	(i)	–	3,707	–	–
Amount due to a subsidiary of the Company's substantial shareholder	(ii)	145,367	84,591	1,952	2,094

16. Material related party transactions (continued)

a) Financing arrangement (continued)

Note:

- (i) Amount due to a minority shareholder was unsecured, interest-free and repayable within one year.
- (ii) Amount due to a subsidiary of the Company's substantial shareholder is unsecured, bears interest at prime rate and is repayable in July 2009. As at 30 June 2008, the prime rate was 5.25% (31.12.2007: 6.75%)

b) Other related party transactions

During the year ended 31 December 2007, the Company entered into a one year lease in respect of a motor car from a related company. Mr. Li Wing Sum, Steven is the director of the Company and this related company. The amount of rent charged under the lease was determined with reference to amounts charged by the related company to third parties. The amount of rental incurred in the current period was HK\$240,000 (six months ended 30.6.2007: Nil). No amounts were outstanding as at 30 June 2008 (31.12.2007: Nil).

- c)* During the current period, the remuneration for key management personnel of the Group, including the Company's directors, were approximately HK\$1,328,000 (six months ended 30.6.2007: approximately HK\$1,326,000).

17. Contingent liabilities

The Group undertook guarantees in respect of mortgage loans granted by certain banks of approximately RMB410,000 (approximately HK\$468,000) (31.12.2007: approximately RMB3,737,000 (approximately HK\$4,005,000)) relating to the mortgage loans arranged for certain purchasers of the Group's properties under development for sale since 2003. Pursuant to the terms of the guarantees, in the event of any default in mortgage payments by any of these purchasers, the Group is responsible to repay the outstanding mortgage principal balances together with accrued interest and penalties owed by the defaulted purchasers and the Group is entitled to take over the legal title and possession of the related properties under development for sale. The Group's guarantee period commences from the dates of the drawdown of the relevant mortgage loans and ends when the Group obtains the "property title certificate" for the mortgagees.

No provision has been made in the financial statements for the six months ended 30 June 2008 (31.12.2007: Nil) for the financial guarantees as the fair value of the financial guarantee contracts is insignificant.

18. Operating Lease Commitments

The Group as lessee

At balance sheet date, the Group's total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Within one year	1,670	669
In the second to fifth years, inclusive	1,043	–
	2,713	669

The Group as lessor

At balance sheet date, the Group had contracted with tenants for the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Within one year	15,393	12,862
In the second to fifth years, inclusive	72,691	67,524
Over five year	91,505	100,912
	179,589	181,298

19. Non-adjusting post balance sheet events

- a) Pursuant to the announcement (the "Announcement"), the circular (the "Circular") and the prospectus (the "Prospectus") of the Company dated 18 July 2008, 14 August 2008 and 10 September 2008 respectively, the Company proposed:
- to effect the Capital Reorganisation, which would involve increase in authorised share capital, share consolidation, capital reduction, share subdivision, share premium cancellation and elimination of accumulated losses;
 - to raise approximately HK\$216,750,000, before expenses, by issuing 1,806,246,252 Offer Shares at a price of HK\$0.12 per Offer Share by way of the Open Offer; and
 - to capitalize the amount due to a subsidiary of the Company's substantial shareholder up to maximum of approximately HK\$145,367,000 in accordance with the Loan Capitalisation Agreement and the Underwriting Agreement, both dated 7 July 2008 (both were varied by two supplemental agreements dated 11 July 2008 and 11 August 2008).

Details of the above proposals had been fully disclosed in the Announcement, the Circular and the Prospectus.

- b) At the special general meeting of the Company held on 9 September 2008, all proposals as mentioned in note 19(a) had been approved by the shareholders of the Company.

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (30.6.2007: Nil).

BUSINESS REVIEW

During the period under review, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in property investment and development in the PRC.

For the six months ended 30 June 2008, the Group recorded a turnover of HK\$32,470,000, representing a decrease of 82.80% from HK\$188,796,000 for the corresponding period last year. The sharp decrease in the turnover for the period was due mainly to the completion and sale of almost all our development projects in last financial year and thus generating little sales income other than the sale of some car parks in Fairyoung Building in Shanghai in the period. However, the Harbin Commercial Building has started generating rental income for the Group throughout the period.

The Group's unaudited consolidated loss for the period under review amounted to HK\$5,780,000, representing a decrease of 80.47% from HK\$29,595,000 for the corresponding period last year. The main reason for the decrease in loss for the period was the completion of the Fairyoung Building project and thus provision for compensation to pre-sale buyers was no longer needed in the period. Besides, a higher profit margin from sale of car parks and the commencement of rental income from the Harbin Commercial Building in full had also attributed to the decrease in loss.

The Group has entered into a lease of 10 years and 3 months for our Harbin Commercial Building with a PRC conglomerate and this has started generating long-term steady rental income for the Group. The Group had no other active business during the period due to shortage of funds.

PROSPECTS

In order to improve its financial position, the Company announced on 18 July 2008 to propose, among others, capital reorganisation, open offer and loan capitalisation, which were all duly passed by the shareholders at a special general meeting of the Company held on 9 September 2008.

The capital reorganisation, which became effective on 9 September 2008, involved the increase in authorised share capital, share consolidation, capital reduction, share subdivision, share premium cancellation and elimination of accumulated losses. The capital reorganisation would improve flexibility in future for the Company to raise fund via the issue of shares. In addition, the Company would eliminate the accumulated losses through the credit amount arising from the Capital Reorganisation, thus allowing greater flexibility for the Company to pay dividend in the future.

The open offer and loan capitalisation, when completed, would enable the Group to strengthen its capital base and to enhance its financial position and decrease its financial costs. A loan of approximately HK\$145.37 million would then be capitalised and the net proceeds of the open offer would amount to approximately HK\$68.88 million, which is intended to be used for future investments in revenue generating assets and for general working capital purposes.

In order to strengthen its investment portfolio, the Company is studying the feasibility of acquiring some budget hotel projects in the PRC. The Company will not rule out the possibility of increasing its interests in the Harbin Commercial Building to 100% if it is legally and financially viable.

ASSETS AND LIABILITIES

As at 30 June 2008, the Group had total liabilities of about HK\$276,378,000, of which approximately HK\$145,367,000 was amount due to a subsidiary of the Company's substantial shareholder repayable in July 2009.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENT

As at 30 June 2008, the Group's current assets and current liabilities were HK\$62,660,000 and HK\$91,464,000 respectively.

As at 30 June 2008, main charges on assets of the Group were bank balances of HK\$570,000.

The Group's assets/liabilities ratio is calculated on its total liabilities divided by total tangible assets. As at 30 June 2008, the ratio was 71%.

As at 30 June 2008, the Group had no material capital commitments.

The Board believes that the Group's cash holding, liquid asset value, future revenue and available facilities from a major shareholder will be sufficient to fund its capital expenditure and meet its working capital requirements.

EXCHANGE RISK

As the Group's operations are principally in the PRC and all assets and liabilities are denominated either in Renminbi or HK dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

HUMAN RESOURCES

The Group has a total of approximately 50 employees, who are remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training is provided to staff from time to time. The Group currently does not have any share option scheme for employees.

DIRECTORS' INTERESTS

As at 30 June 2008, none of the Directors and the Chief Executive of the Company had any interests or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO")) which are (a) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers. During the six months ended 30 June 2008, none of the Directors, Chief Executive or their spouses or children under the age of 18 was given the right to acquire any shares in or debentures of the Company or any of its associated corporations (within the meaning of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2008, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Name of substantial shareholder	Note	No. of ordinary shares of HK\$0.10 each			Shareholding percentage
		Personal interests	Corporate interests	Total	
Mr. Liang Wenguan ("Mr. Liang")	1	125,412,000	723,970,000	849,382,000	23.51%
Gree International Holding Limited ("Gree")	1	–	723,970,000	723,970,000	20.04%
Main Hero International Limited ("Main Hero")	2	–	314,348,000	314,348,000	8.7%

Note 1: Madex International Company Limited, a company which is 100% owned by Mr. Liang, has charged 723,970,000 Shares to Gree, which is thus deemed to be interested in the said shares. Mr. Wang Gang and Mr. Dong Taijin, each holding 50% of the issued share capital of Gree, are severally deemed to be interested in all 723,970,000 Shares, representing 20.04 of the issued shares capital of the Company as at 30 June 2008.

Note 2: Mr. Leung Chin Fung, who holds 95% of the issued share capital of Main Hero, is deemed to be interested in the 314,348,000 Shares, representing 8.70% of the issued share capital of the Company as at 30 June 2008.

As at 30 June 2008, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2008 except for certain deviations as follows:

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. No Board Chairman has been appointed by the Company, and decisions are made collectively by the Executive Directors and executed by the management under the leadership of the CEO. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

Appointments, Re-election and Removal of Directors

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Independent Non-executive Directors ("INEDs") of the Company had no fixed term of office during the period, but all of them are subject to the relevant provisions of the Bye-laws ("Bye-laws") of the Company and any other applicable laws whereby they shall vacate or retire from their office. According to the Bye-laws, at each annual general meeting of the Company, one third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no Director holding office as executive chairman or as a managing director should be subject to retirement by rotation or taken into account in determining the Directors to retire.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for the Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the period and they all confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors and is responsible for review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records and external auditors and senior management.

The unaudited interim results for the period ended 30 June 2008 have been reviewed by the Audit Committee before recommendation to the Board for approval.

PURCHASE, REDEMPTION OR SALE 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 six months ended 30 June 2008.

By Order of the Board
Chen Jung Hsin
CEO & Executive Director

Hong Kong, 22 September 2008