



eFORCE HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

2008

INTERIM REPORT

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2008 – unaudited

	<i>Note</i>	Six months ended 30 June	
		2008 <i>HK\$'000</i> (unaudited)	2007 <i>HK\$'000</i> (unaudited)
Turnover	3	71,609	79,060
Cost of sales		(61,183)	(61,776)
Gross profit		10,426	17,284
Other income		3,216	2,820
Distribution costs		(1,962)	(2,483)
Administrative expenses		(20,118)	(19,997)
Other operating expenses		(50)	(710)
Loss from operations		(8,488)	(3,086)
Finance costs		(547)	(504)
Loss before taxation	4	(9,035)	(3,590)
Taxation	5	(1,143)	(91)
Loss attributable to shareholders		(10,178)	(3,681)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	6		
Basic		(0.38)	(0.16)
Diluted		N/A	N/A

The notes on pages 5 to 18 form part of this interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET

at 30 June 2008 – unaudited

	<i>Note</i>	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		24,044	24,289
		24,044	24,289
Current assets			
Inventories	8	21,575	18,715
Trade and other receivables	9	25,758	17,644
Pledged bank deposits		1,500	1,500
Cash and bank balances		95,498	104,203
		144,331	142,062
Current liabilities			
Trade and other payables	11	(73,808)	(62,228)
Borrowings	12	(3,757)	(4,073)
Unsecured other loans	10	(6,500)	(6,500)
Current tax liabilities		(5,304)	(4,489)
		(89,369)	(77,290)
Net current assets		54,962	64,772
Total assets less current liabilities		79,006	89,061
Non-current liabilities			
Borrowings	12	(3,077)	(4,161)
NET ASSETS		75,929	84,900
Capital and reserves			
Share capital	13	132,896	132,896
Reserves	14	(56,967)	(47,996)
TOTAL EQUITY		75,929	84,900

The notes on pages 5 to 18 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2008 – unaudited

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Foreign currency translation reserves <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2007	114,981	1,392,241	(2,623)	24,226	(1,554,801)	(26,066)
Exchange differences on translating foreign operations	–	–	(402)	–	–	(402)
Loss for the period	–	–	–	–	(3,681)	(3,681)
Total recognized income and expenses for the period	–	–	(402)	–	(3,681)	(4,083)
Issue of shares on subscription	18,000	100,800	–	–	–	118,800
At 30 June 2007	<u>132,981</u>	<u>1,493,041</u>	<u>(3,025)</u>	<u>24,226</u>	<u>(1,558,482)</u>	<u>88,651</u>
At 1 January 2008	132,896	1,493,075	(4,997)	24,226	(1,560,300)	84,900
Exchange differences on translating foreign operations	–	–	1,207	–	–	1,207
Loss for the period	–	–	–	–	(10,178)	(10,178)
Total recognized income and expenses for the period	–	–	1,207	–	(10,178)	(8,971)
Issue of shares on subscription	–	–	–	–	–	–
	<u>132,896</u>	<u>1,493,075</u>	<u>(3,790)</u>	<u>24,226</u>	<u>(1,570,478)</u>	<u>75,929</u>

The notes on pages 5 to 18 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008 – unaudited

	Six months ended 30 June	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(6,913)	(7,552)
Net cash (outflow)/inflow from investing activities	(1,306)	(1,257)
Net cash inflow/(outflow) from financing activities	(536)	116,476
Increase/(decrease) in cash and cash equivalents	(8,755)	107,667
Effect of foreign exchange rates	50	141
Cash and cash equivalents at 1 January	104,203	6,001
Cash and cash equivalents at 30 June	95,498	113,809

The notes on pages 5 to 18 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

1. BASIS OF PREPARATION

This interim financial report is unaudited, but has been reviewed by the Company's Audit Committee.

The unaudited interim report has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim report has been prepared under the historical cost convention and modified by the revaluation of land and buildings, which are carried at their fair values. Except as described below, the accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the Group financial statements for the year ended 31 December 2007.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- 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 HKICPA had issued a number of new standards, interpretations and amendments to standards which are effective for accounting period beginning 1 July 2008 and have not been early adopted by the Group. The Group expects the adoption of these new or revised HKFRSs will have no material impact on the financial statements of the Group and will not result in substantial changes to the Group's accounting policies.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

3. TURNOVER AND SEGMENT INFORMATION

The Company is an investment holding company. During the period ended 30 June 2008, the Group is wholly engaged in the manufacture and sales of healthcare and household products.

Turnover represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax.

During the period, segment information is presented in respect of the Group's business and geographical segments. Business segment information will continue to be chosen as the primary reporting format as this is more relevant to the Group's internal financial reporting.

(i) Business segments

The Group has been operating in a single business segment that is the manufacturing and sales of healthcare and household products.

(ii) Geographical segments

	Group turnover Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Geographical locations of customers		
North America	24,821	22,742
Europe	21,220	30,839
Asia	23,273	22,907
Others	2,295	2,572
	<u>71,609</u>	<u>79,060</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
(a) Finance costs:		
Interest on borrowings	<u>547</u>	<u>504</u>
(b) Other items:		
Cost of inventories	45,866	46,762
Staff costs	20,177	18,165
Depreciation	3,277	2,145
Net profit on disposal of fixed assets	(42)	(148)
Interest income	<u>(475)</u>	<u>(35)</u>

5. TAXATION

Provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries in which the subsidiaries operate.

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.

No deferred tax assets in respect of the accumulated losses has been recognised as it is not probable that future profits will be available against which the asset can be utilized.

6. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$10,178,000 (30 June 2007: HK\$3,681,000) and the weighted average number of ordinary shares of 2,657,926,789 (30 June 2007: 2,307,771,540) in issue during the period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

6. LOSS PER SHARE (CONTINUED)

b) Diluted loss per share

No diluted loss per share is presented as the inclusion of the effects of all potential dilutive ordinary shares would have an anti-dilutive effect on the basic loss per share for both the current and prior periods.

7. DIVIDENDS

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

8. INVENTORIES

	At 30 June 2008 <i>HK\$'000</i>	At 31 December 2007 <i>HK\$'000</i>
Raw materials	11,307	10,832
Work in progress	8,165	7,631
Finished goods	1,653	252
	<u>21,575</u>	<u>18,715</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Current	14,364	8,539
1 to 3 months overdue	5,660	4,087
More than 3 months but less than 12 months overdue	1,720	690
More than 12 months overdue	126	155
Total trade debtors and bills receivables	21,870	13,471
Other debtors, deposits and prepayments	3,867	4,152
Amount due from associates	21	21
	<u>25,758</u>	<u>17,644</u>

Trade debts are due within 30 days from the date of billing.

10. UNSECURED OTHER LOANS

On 1 February 2000, pursuant to a placing and underwriting agreement dated 16 December 1999 entered into between the Company and independent placing agents, 4% convertible notes with an aggregate principal amount of HK\$9 million were issued (the "Notes"). The Notes were convertible to ordinary shares of HK\$0.05 each of the Company at any time between 1 April 2000 and 27 January 2002 and Notes of HK\$2.5 million were converted during 2000.

Prior to maturity, holders of the remaining Notes of HK\$6.5 million had not exercised the conversion right, therefore, the directors of the Company consider that the conversion right attaching to the Notes has lapsed. The Notes should be regarded as unsecured other loans and the outstanding balances together with accrued interest of approximately HK\$8.3 million are due for repayment. As at the date of authorisation for issue of the interim financial report, the creditors have not yet requested the Company to repay the loans.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Due within 1 month or on demand	14,343	8,020
Due after 1 month but within 3 months	15,381	12,677
Due after 3 month but within 6 months	5,475	3,469
Due after 6 months	2,447	2,729
Total trade creditors	37,646	26,895
Other creditors and accrued charges	33,943	33,121
Amount due to a substantial shareholder	1,729	1,729
Amount due to directors	490	483
	73,808	62,228

12. BORROWINGS

Borrowings from bank are secured over the Group's leasehold land and buildings held for own use situated outside Hong Kong with a carrying amount of approximately HK\$16 million (at 31 December 2007: HK\$16 million), a fixed deposit of approximately HK\$1.5 million (at December 2007: HK\$1.5 million), the Company's guarantee and certain trade receivables of a subsidiary.

13. SHARE CAPITAL

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Authorised: 6,000,000,000 ordinary shares of HK\$0.05 each	300,000	300,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2008

13. SHARE CAPITAL (CONTINUED)

	At 30 June 2008		At 31 December 2007	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Issued and fully paid:				
At 1 January	2,297,926,789	132,896	2,297,826,789	114,891
Shares issued on subscription	–	–	360,000,000	18,000
Shares issued on exercise of share options	–	–	100,000	5
	<u>2,657,926,789</u>	<u>132,896</u>	<u>2,657,926,789</u>	<u>132,896</u>

14. RESERVES

The amount of the Group's reserve and the movement therein are presented in the consolidated statement of change in equity.

15. COMMITMENTS

At 30 June 2008, the Group had the following capital commitments outstanding and not provided for in the financial statements:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Contracted for:		
Quality guarantee deposit	17,500	17,500
Purchase of fixed assets	498	0
	<u>17,998</u>	<u>17,500</u>

16. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities at 30 June 2008.

17. APPROVAL OF INTERIM FINANCIAL REPORT

This interim financial report was approved and authorised for issue by the Board of Directors on 29 September 2008.

OTHER INFORMATION

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: HK\$Nil per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The turnover of the Group for the six months ended 30 June 2008 was approximately HK\$72 million (six months ended 30 June 2007: approximately HK\$79 million) and represented a decrease of 9% as compared to the corresponding period last year mainly due to severe competition for promotional orders from the Europe market. Sales to the Europe market decreased by HK\$10 million or 31% as compared to the corresponding period last year.

The gross margin decreased to 15% (six months ended 30 June 2007: 22%) due to escalating raw material prices and labour costs. The decreased in the gross margin was aggravated by the continuous appreciation of Renminbi. As a result, gross profit decreased by 40% or by HK\$7 million to HK\$10 million (six months ended 30 June 2007: HK\$17 million) as compared to the corresponding period last year.

Net loss of the group increased approximately by HK\$7 million to HK\$10 million (six months ended 30 June 2007: HK\$3.7 million) mainly due to the decrease in the gross profit, while other operating costs and finance costs maintained at about the same level as in the corresponding period last year.

Outlook

The recent financial turmoil and the sub-prime mortgage crisis will inevitably devastate the consumer products market in the United State in the second half of the year and the condition will continue to be difficult in the coming year, or even years. We believe the global consumer products market will also be undermined due to the volatile markets conditions in the United State. In order to maintain our competitiveness under such market condition, we will continue our strategy to enhance our products value by research and development and advancing our production process through automation. On the other hand, we believe the slowdown in the global market will ease the pressure of Renminbi appreciation although the effect may not be prominent. In term of marketing, we will commit to forge stronger relationship with new and existing customers to re-position ourselves both in the emerging and traditional markets.

On 27 August 2008, the Company was notified by Early State Enterprises Limited, a company incorporated in British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Hu Xiao (the "Offeror") that it had entered into the sales and purchase agreement ("S&P Agreement") with Mr. Leung Chung Shan ("Mr. Leung") on the same date to acquire from Mr. Leung the Sale Shares, representing an aggregate of approximately 35.33% (938,974,000 shares) of the issued share capital of the Company for an aggregate consideration of HK\$65,728,180 or HK\$0.07 each share. Completion of the S&P Agreement took place on 29 August 2008.

OTHER INFORMATION

Under Rule 26.1 and Rule 13 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”), the Offeror is obliged to make the Offers, being the Share Offer to acquire all issued Shares (other than those already owned or agreed to be acquired by the Offeror, its ultimate beneficial owner and parties acting in concert with any of them) and the Option Offer to cancel all outstanding Option(s). The Offers will be made solely in cash.

The principal terms of the Offers are set out under the section headed “THE OFFERS” of Offeror and the Company’s joint announcement dated 4 September 2008 (the “Joint Announcement”).

In the Joint Announcement, the Offeror has indicated that the Group will continue with all of its existing businesses and it does not intend to make any material changes to the businesses of the Group or to redeploy any fixed assets of the Group following the closing of the Offers. And the Offeror will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. In the event that any of such opportunities materialises, further announcements will be made as and when required by the Listing Rules. As at the date of this announcement, the Offeror has no intention or concrete plan for any acquisition of assets and/or business by the Group.

Liquidity and Financial Resources

At 30 June 2008, the Group had net current assets HK\$55 million (31 December 2007: HK\$65 million) and represents a decrease of 15% as compared to 31 December 2007. Total cash on hand was HK\$97 million (31 December 2007: HK\$106 million) which included a pledged fixed deposit of HK\$1.5 million (31 December 2007: HK\$1.5 million) and Renminbi deposits amounted to HK\$2.5 million (31 December 2007: HK\$1.6 million).

At 30 June 2008, the Group’s total borrowings amounted to HK\$13 million (31 December 2007: HK\$15 million) of which HK\$10 million will be due within one year. Borrowings from bank are secured over the Group’s leasehold land and buildings held for own use situated outside Hong Kong with a carrying amount of approximately HK\$16 million (31 December 2007: HK\$16 million), a fixed deposit approximately HK\$1.5 million (31 December 2007: HK\$1.5 million), the Company’s guarantee and certain trade receivables of a subsidiary.

At 30 June 2008, the Group had a current ratio of 1.6 (31 December 2007: 1.8) and the gearing ratio was 8% (31 December 2007: 9%). The calculation of gearing ratio was based on the Group’s total borrowings of HK\$13 million over total assets value of HK\$168 million.

Exposure to Fluctuations in Exchange Rates, Interest Rates and Related Hedges

The Group’s borrowings and cash and cash equivalents were primarily denominated in Hong Kong dollars (“HKD”), Renminbi (“RMB”) and US dollars (“USD”). The Group does not hedge against foreign exchange risk associated with the USD, as the management believes that the HKD will remain pegged to the USD in the foreseeable future. The management will monitor closely to ensure measures are taken against any adverse impact on the exchange risk associated with the appreciating RMB.

OTHER INFORMATION

The interest rates profile of the Group's borrowings comprises a mixture of fixed and floating rates. The Group does not hedge against interest rates risk, as the managements do not foresee the impact of any fluctuation in interest rates to be material to the Group.

Employees and Remuneration Policies

At 30 June 2008, the Group employed approximately 27 staffs (31 December 2007: 28) in Hong Kong and approximately 1,548 employees (31 December 2007: 1160) in Mainland China. Employees' remuneration are given and reviewed regularly based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's overall performance and employees' individual merit.

The Company had granted share options to certain employees of the Group on 10 July 2000, entitling them to subscribe for shares of the Company. However, with effect from 1 September 2001, the Company no longer can grant any options under the existing scheme unless the Company changes the terms of the scheme to comply with the requirements of Chapter 17 of the Listing Rules.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of the directors and the chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations

At 30 June 2008, the interests and short positions of each directors and chief executives of the Company in shares, underlying shares and debenture of the Company or any of 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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in issued shares and underlying shares

Name of director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held	% of total issued shares
Leung Chung Shan (Mr. Leung ²)	Interests of a controlled corporation	Corporate	880,762,000 (Note 1)	–	33.14%
Mr. Leung	Beneficial owner	Personal	58,212,000 (Note 1)	–	2.19%

OTHER INFORMATION

Note:

1. Tees is a company incorporated in the British Virgin Islands and wholly owned by Mr. Leung. As at 30 June 2008, by virtue of Tees's interest in 880,762,000 shares and Mr. Leung's personal interests in 58,212,000 shares, Mr. Leung is deemed to be interested in an aggregate of 938,974,000 shares of the Company.

On 27 August 2008, the Company was notified by Early State Enterprises Limited which is wholly and beneficially owned by Mr. Hu Xiao (the "Offeror") that it had entered into the sales and purchase agreement ("S&P Agreement") with Mr. Leung on the same date to acquire Mr. Leung's entire interest in the issued share capital of the Company for an aggregate consideration of HK\$65,728,180 or HK\$0.07 each sales share. Completion of the S&P Agreement took place on 29 August 2008 and in accordance with the SDI forms received by the Company from Tees and Mr. Leung on 1 September 2008, Mr. Leung and Tees had ceased to have any interests in the shares of the Company.

In accordance with the SDI forms received by the Company from Mr. Lo Kit Sing Steven ("Mr. Lo"), BMA Investment Limited ("BMA"), Profit Best Investments Limited ("Profit Best") and Fine Asset Limited ("Fine Asset") on 1 September 2008 and by virtue of Mr. Lo's indirect interest (through Profit Best and Fine Asset) in BMA, he is deemed to have a security interest in 938,974,000 shares of the Company.

In accordance with the SDI forms received by the Company from Mr. Hu Xiao ("Mr. Hu") and Early State Enterprises Limited ("Early State") on 9 September 2008 and by virtue of Mr. Hu's direct interest in Early State, he is deemed to have a beneficial interest in 938,974,000 shares of the Company.

Save as disclosed above, as at 30 June 2008, none of the directors nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

OTHER INFORMATION

(b) Share options

There are no changes in any terms of the share options scheme during the six months ended 30 June 2008. The detailed terms of the share options scheme were disclosed in the Company's 2007 annual report.

Details of the share options outstanding at 30 June 2008 which have been granted under the scheme whereas follows:

		Options (Note 1)					
		Number of options					
Grantees	Date of grant	Exercise price per share (Adjusted)	Outstanding at 1 January 2008	Cancelled during the period	Acquired on Exercise of options during the period	Adjusted during the period	Outstanding at 30 June 2008
Directors	-	-	-	-	-	-	-
Employees	10 July 2000	HK\$0.392	1,950,000	-	-	-	1,950,000
Others (Note 1)	10 July 2000	HK\$0.392	28,190,000	-	-	-	28,190,000
			<u>30,140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,140,000</u>

Note:

1. Ex-employees of the Group who are still entitled to the options under the terms of the share option scheme.

The options were granted under the share option scheme adopted by the Company on 2 June 1997. The options are exercisable subject to the terms and conditions stipulated each time options are granted. All the options granted will expire at the end of ten years from the date of grant. With effect from 1 September 2001, the Company no longer can grant any options under the existing scheme unless the Company changes the terms of the scheme to comply with the requirements of Chapter 17 of the Listing Rules.

Save as disclosed above, none of the directors or chief executive of the Company or their spouses or children under 18 years of age, had any right to subscribe for equity or debt securities of the Company, or had exercised any such right during the period.

Apart from the foregoing, at no time during the period was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors and chief executives of the Company or any of their spouses or children under 18 years of age to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

OTHER INFORMATION

(c) Interest and short positions of shareholders discloseable under the SFO

As at 30 June 2008, the following persons had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions of substantial shareholders in the shares and underlying shares

Name of Shareholder	Capacity	Number of shares held	Number of underlying shares held	% of total issued shares
Tees Corporation ("Tees")	Beneficial Owner	880,762,000 (Note 1)	–	33.14%
Clear Rise Limited ("Clear Rise")	Beneficial Owner	320,000,000 (Note 2)	–	12.03%

Notes:

1. Please refer to the disclosure for Mr. Leung under the heading "Interests and short positions of the directors and the chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations" above.
2. In accordance with the SDI forms received by the Company from Clear Rise and Yuk Tung International Limited ("Yuk Tung") on 13 December 2007, Clear Rise is a wholly owned subsidiary of Yuk Tung. In accordance with the SDI forms received by the Company from Mr. He Jin Kun ("Mr. He") and Mr. Low Thiam Herr (Mr. Low") on 13 December 2007, by virtue of their interest in Yuk Tung, both of them is deemed to be interested in 320,000,000 shares of the Company.

Save as disclosed above, as at 30 June 2008, the Company according to the records required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short positions in the shares or underlying shares of the Company.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2008.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has complied with all requirements set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules, except for Code Provision A.4.1, which stipulates that non-executive directors should be appointed for a specific term, subject to re-election. There is no service contract between the Company and Mr. Lam Bing Kwan (“Mr. Lam”) whom is not appointed for a specific term but is subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. His appointment will be reviewed when they are due for re-election and the Company is of the view that this meets the same objectives of the said code provision.

AUDIT COMMITTEE

In compliance with the Code, an Audit Committee was established on 28 December 1999 with written terms of reference. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yeung King Wah (“Mr. Yeung”)(Chairman of the Audit Committee), Mr. Lam and Mr. Lau Kam Ying (“Mr. Lau”). Mr. Yeung, has the professional qualifications as required under the Listing Rules.

The principal activities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 June 2008.

REMUNERATION COMMITTEE

In compliance with the Code, the Company has established its remuneration committee (“Remuneration Committee”) on 1 August 2005.

The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Lam (Chairman of the Remuneration Committee), Mr. Yeung and Mr. Lau and an Executive Director, Mr. Tam Lup Wai Franky (“Mr. Tam”). The Remuneration Committee has adopted terms of reference, which are in line with the Code on Corporate Governance Practices.

By order of the Board
Leung Chung Shan
Chairman and Executive Director

Hong Kong, 29 September 2008

As at the date of this interim financial report, the Board comprises Messrs. Leung Chung Shan and Tam Lup Wai Franky as Executive Directors and Messrs. Lam Bing Kwan, Yeung King Wah and Lau Kam Ying as Independent Non-Executive Directors.