Benefun International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1130

Interim Report 2009

FINANCIAL RESULTS

The Board of Directors (the "Board") of Benefun International Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 December 2008 together with the comparative figures for the corresponding period in 2007. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

Condensed consolidated income statement

For the six months ended 31 December 2008
(Expressed in Hong Kong dollars)

		Unaudited Six months ended 31 December	
		2008	2007
	Notes	***$'000***	*$'000*
Turnover	*2*	**74,786**	73,590
Cost of sales		**(57,018)**	(45,502)
Gross profit		**17,768**	28,088
Other income	*3*	**5,517**	2,993
Distribution costs		**(4,548)**	(32,993)
Administrative expenses		**(8,766)**	(14,393)
Finance costs		**(10,937)**	(1,571)
Loss before income tax expense	*4*	**(966)**	(17,876)
Income tax credit/(expense)	*5*	**218**	(2,278)
Loss for the period and attributable to the equity holders of the Company		**(748)**	(20,154)
Loss per share			
Basic and diluted	*7*	**(0.03) cent**	(1.23) cent

Condensed consolidated balance sheet

As at 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	Unaudited As at 31 December 2008 $'000	Audited As at 30 June 2008 $'000
Non-current assets			
Property, plant and equipment	8	896	1,092
Investment properties		54,379	54,379
Standing timber	9	600,907	–
Goodwill	16	38,792	–
Deferred tax assets		873	203
		695,847	55,674
Current assets			
Inventories	10	5,528	62,239
Trade and other receivables	11	33,527	38,740
Income tax recoverable		161	3,772
Cash and cash equivalents		5,189	28,199
		44,405	132,950
Current liabilities			
Trade and other payables	12	40,624	90,637
Promissory note payable	14	50,728	–
Provision		6,568	6,598
		97,920	97,235
Net current (liabilities)/assets		(53,515)	35,715
Total assets less current liabilities		642,332	91,389
Non-current liabilities			
Convertible notes	15	161,354	–
Deferred tax liabilities		152,168	5,514
Net assets		328,810	85,875
Capital and reserves			
Share capital	13	54,787	19,550
Reserves		274,023	66,325
Total equity		328,810	85,875

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2008
(Expressed in Hong Kong dollars)

	Unaudited								
	Issued share capital $'000	Share-based compensation reserve $'000	Convertible notes equity reserve $'000	Share premium $'000	Legal reserve $'000	Foreign exchange revaluation reserve $'000	Revaluation reserve $'000	Accumulated losses $'000	Total $'000
At 1 July 2008	19,550	2,401	–	173,660	3,090	11,322	22,783	(146,931)	85,875
Transfer between reserves	–	–	–	–	610	–	–	(610)	–
Translation differences on overseas operations	–	–	–	–	–	85	–	–	85
Net income/(expenses) recognised directly in equity	–	–	–	–	610	85	–	(610)	85
Loss for the period	–	–	–	–	–	–	–	(748)	(748)
Total recognised income/(expense) for the period	–	–	–	–	610	85	–	(1,358)	(663)
Equity component of convertible notes	–	–	41,456	–	–	–	–	–	41,456
Conversion of convertible notes	35,237	–	(23,372)	190,277	–	–	–	–	202,142
At 31 December 2008	54,787	2,401	18,084	363,937	3,700	11,407	22,783	(148,289)	328,810
At 1 July 2007	16,350	–	–	153,820	3,090	5,679	22,075	(105,596)	95,418
Transfer between reserves	–	–	–	–	–	–	(93)	93	–
Translation differences on overseas operations	–	–	–	–	–	633	–	–	633
Net income/(expenses) recognised directly in equity	–	–	–	–	–	633	(93)	93	633
Loss for the period	–	–	–	–	–	–	–	(20,154)	(20,154)
Total recognised income/(expense) for the period	–	–	–	–	–	633	(93)	(20,061)	(19,521)
At 31 December 2007	16,350	–	–	153,820	3,090	6,312	21,982	(125,657)	75,897

Condensed consolidated cash flow statement

For the six months ended 31 December 2008
(Expressed in Hong Kong dollars)

	Unaudited Six months ended 31 December	
	2008	2007
	$'000	*$'000*
Net cash generated from operating activities	**9,470**	8,850
Net cash used in investing activities	**(192)**	(1,360)
Net cash (used in) generated from financing activities	**(32,479)**	11,774
Net (decrease)/increase in cash and cash equivalents	**(23,201)**	19,264
Effect of foreign exchange changes on cash and cash equivalents	**191**	828
Cash and cash equivalents at 1 July	**28,199**	20,416
Cash and cash equivalents at 31 December	**5,189**	40,508
Analysis of balances of cash and cash equivalents:		
Cash at banks and in hand	**5,189**	40,508

Notes to the condensed consolidated financial statements

(Expressed in Hong Kong dollars)

1. Basis of preparation and principal accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Listing Rules of The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2007/08 annual financial statements.

The principal accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2008, with additional policies as described below.

Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry dates, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in the income statement upon conversion or expiration of the option.

Standing timber

Plantation assets comprise standing timber in the People's Republic of China.

Standing timber located in People's Republic of China are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of standing timber is determined independently by professional valuers.

In the current period, the Group has applied, for the first time, the following amendments and new interpretations issued by HKICPA, that are effective for the current accounting period of the Group.

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above amendment and new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognized.

The Group has not yet applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[3]
Amendments to HKAS 32 and HKAS1	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
Amendment to HKAS 39	Eligible Hedged Items[3]
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
Amendments to HKFRS 7	Disclosures – Improving Disclosures about Financial Instruments[2]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers[4]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for transfer of assets from customers received on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the Directors of the Company so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. Segment information

Segment information is presented in the condensed consolidated financial statements in respect of the Group's business segments, which are the primary basis of segment reporting.

Business segments

The Group has following main business segments:

Apparel manufacturing	:	Manufacturing, retailing and distribution of apparel
Property rental	:	Leasing of property rental
Property development	:	The development and sale of commercial and residential properties

An analysis of the Group's revenue and results by business segments for the six months ended 31 December 2008, together with the comparative figures for the corresponding period in 2007, is as follows:

(Unaudited)	**Apparel manufacturing**		**Property rental**		**Property development**		**Unallocated**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment revenue:										
Turnover	**576**	70,562	**3,615**	3,028	**70,595**	–	**–**	–	**74,786**	73,590
Other income	**–**	1,291	**–**	–	**–**	–	**–**	–	**–**	1,291
Total segment revenue	**576**	71,853	**3,615**	3,028	**70,595**	–	**–**	–	**74,786**	74,881
Interest income and other unallocated income									**5,517**	1,702
Total revenue									**80,303**	76,583
Segment results	**(4,983)**	(19,157)	**3,615**	3,028	**10,107**	(1,878)	**(4,285)**	–	**4,454**	(18,007)
Interest income and other unallocated income									**5,517**	1,702
Profit/(loss) from operations									**9,971**	(16,305)
Finance costs									**(10,937)**	(1,571)
Loss before income tax expense									**(966)**	(17,876)
Income tax credit/(expense)									**218**	(2,278)
Loss for the period									**(748)**	(20,154)

3. Other income

	Unaudited Six months ended 31 December 2008 $'000	2007 $'000
Interest income	**25**	129
Sub-contracting fee	**–**	1,291
Exchange differences, net	**761**	1,566
Early repayment discount of promissory note	**4,731**	–
Others	**–**	7
	5,517	2,993

4. Loss before income tax expense

Loss before income tax expense is arrived at after charging:

	Unaudited Six months ended 31 December 2008 $'000	2007 $'000
Finance costs:		
Interest on bank advances and other financial liabilities repayable within five years	**–**	1,571
Imputed interest on convertible note *(note 15)*	**4,952**	–
Imputed interest on promissory note	**5,985**	–
Amortisation on interests in leasehold land held for own use under operating leases	**–**	5
Depreciation on property, plant and equipment	**563**	2,948
Write-down of inventories	**–**	2,299
Loss on disposal of property, plant and equipment	**–**	516
Impairment losses on trade and other receivables	**–**	3,999

5. Income tax credit/(expense)

The amount of taxation in the condensed consolidated income statement represents:

	Unaudited Six months ended 31 December 2008 $'000	2007 $'000
Current tax		
– Income tax outside Hong Kong	**(4,025)**	–
Deferred tax	**4,243**	(2,278)
Total income tax credit/(expense)	**218**	(2,278)

No provision for Hong Kong Profits Tax has been made in the interim financial statements (2007: Nil) as the Group's Hong Kong operations sustained a loss for taxation purposes during the period.

Taxation for the Group's operations outside Hong Kong is provided at the applicable current rates of taxation on the estimated assessable profits arising in the relevant jurisdiction during the period.

Pursuant to the new People's Republic of China ("PRC") Corporate Income Tax Law passed by the Tenth National People's Congress on 16 March 2007, the new Corporate Income Tax rates for almost all enterprises established in the PRC shall be subject to a unified rate of 25% over a five-year transition period and will be effective from 1 January 2008. The State Council of the PRC issued an implementation guideline on 26 December 2007 and the Ministry of Finance and the State Administration of Taxation of the PRC further issued another implementation guideline on 20 February 2008 (collectively, "Implementation Guidances") which set out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidances, foreign investment manufacturing enterprises which have not fully utilized their tax holiday and concession will be allowed to continue to receive the benefits of the full exemption and concession in the transitional income tax rate during the five-year transition period. The transitional tax rates for 2008 to 2012 are 18%, 20%, 22%, 24% and 25%, respectively. The new rates were considered to measure the Group's deferred tax assets and deferred tax liabilities as at 31 December 2008. The enactment of the new PRC Corporate Income Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

6. Dividends

No interim dividend has been declared in respect of the interim period ended 31 December 2008 (2007: Nil).

7. Loss per share

The calculation of the basic loss per share is based on the net loss for the period of approximately $748,000 (six months ended 31 December 2007: $20,154,000) and the weighted average number of 2,582,234,000 ordinary shares (six months ended 31 December 2007: 1,635,029,000 shares) in issue during the year.

The diluted loss per share for the six months ended 31 December 2008 and 2007 is the same as basic loss per share because the potential shares arising from the conversion of the Company's convertible note would decrease loss per share of the Group for the period and is regarded as anti-dilutive.

8. Movements in property, plant and equipment

During the six months ended 31 December 2008, the Group has no material disposal of property, plant and equipment (six months ended 31 December 2007: $660,000).

In addition, the Group spent approximately $294,000 (six months ended 31 December 2007: $2,646,000) in respect of property, plant and equipment during the period.

9. Standing timber

As a result of the business combination as detailed in note 17, the Group acquired standing timber comprising approximately 632,109 cubic meters of poplar trees and 882 cubic meters of mix trees of elm, willow and other species of poplar.

The standing timber are located in Xinjian, the People's Republic of China ("PRC") which are stated at fair value less estimated point-of-sales costs.

10. Inventories

	Unaudited As at 31 December 2008 $'000	Audited As at 30 June 2008 $'000
Property under development	–	62,239
Property held for sales	**5,528**	–
	5,528	62,239

All property held for sales are located in Zhangzhou City of PRC.

11. Trade and other receivables

	Unaudited As at 31 December 2008 $'000	Audited As at 30 June 2008 $'000
Trade debtors	**6,844**	2,572
Prepayments, deposits and other receivables	**26,683**	30,581
Amounts due from related parties	–	5,587
	33,527	38,740

All trade receivables are expected to be recovered within one year. The fair values of trade and other receivables approximate their carrying amount.

Included in trade and other receivables are trade debtors (net of impairment loss) with the following ageing analysis as of the balance sheet date:

	Unaudited As at 31 December 2008 $'000	Audited As at 30 June 2008 $'000
Less than 1 month past due	–	64
1 to 3 months past due	**5,439**	424
More than 3 months but less than 12 months past due	**1,405**	2,068
More than 12 months past due	–	16
Total trade debtors	**6,844**	2,572

The credit terms given to customers vary and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with trade debtors, credit evaluation of customers is performed periodically.

During the period, the Group continued certain property development projects for sales. As at the period end date, included in the balance of prepayments, deposits and other receivables was an aggregate balance of deposits and instalments of $21,212,000 (30 June 2008: $21,309,000) for the acquisition of certain land use rights in Zhangzhou City, the PRC in respect of the aforesaid projects.

12. Trade and other payables

	Unaudited As at 31 December 2008 *$'000*	Audited As at 30 June 2008 *$'000*
Trade creditors	**20,472**	17,449
Other payables and accrued liabilities	**17,328**	4,672
Property forward sales deposits and instalments received	**–**	66,581
Amount due to a director	**2,824**	1,935
	40,624	90,637

All the trade and other payables are expected to be settled within one year. The fair values of trade and other payables approximate their carrying amount.

Amount due to a director is unsecured, interest-free and repayable on demand.

The following is an ageing analysis of trade creditors:

	Unaudited As at 31 December 2008 *$'000*	Audited As at 30 June 2008 *$'000*
Within 1 month or on demand	**–**	8,047
More than 1 month but within 3 months	**6,139**	7,696
More than 3 months but within 6 months	**–**	1,706
Over 6 months	**14,333**	–
Total trade creditors	**20,472**	17,449

13. Share capital

	Unaudited As at 31 December 2008 Number of shares	Unaudited As at 31 December 2008 $'000	Audited As at 30 June 2008 Number of shares	Audited As at 30 June 2008 $'000
Authorised				
Ordinary shares of $0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Issued and fully paid				
At beginning of the period/year	**1,955,029,000**	**19,550**	1,635,029,000	16,350
Issue of new shares	**–**	**–**	320,000,000	3,200
Conversion of convertible notes	**3,523,660,000**	**35,237**	–	–
At end of the period/year	**5,478,689,000**	**54,787**	1,955,029,000	19,550

14. Promissory note payable

The promissory note is interest free and will be repayable on demand upon the maturity on 24 December 2009. The fair value estimated by the director as at period end to be approximately $50,728,000 (30 June 2008: $Nil).

The promissory note is secured by a share mortgage to all issued shares in Wylkeen Investment Limited and Benefun (BVI) Limited, representing the entire issued share capital held by the Company.

15. Convertible notes

The Company issued $400 million, zero coupon convertible notes at 19 November 2008. The convertible bonds are denominated in Hong Kong dollars and are unsecured. The notes matures 3 years from the issue date which is redeemable at 125% of the outstanding principal amount or can be converted into ordinary shares of the Company at the holder's option at a conversion price of $0.064 per share.

The fair values of the liability component and the equity reserve component were determined at the issuance of the convertible notes. The fair value of the liability component, included in non-current financial liabilities, was calculated using a market interest rate for an equivalent non-convertible notes. The residual amount, representing the value of the equity reserve component, is included in shareholders' equity.

The movements of liability component and equity reserve component of convertible notes are as follows:

	Nominal value *$'000*	**Liability component** *$'000* *(Note)*	**Equity reserve component** *$'000*	**Total** *$'000*
Issue of convertible notes	400,000	358,544	41,456	400,000
Imputed interest expense *(note 4)*	–	4,952	–	4,952
Conversion of convertible notes	(225,514)	(202,142)	(23,372)	(225,514)
Carrying amount at 31 December 2008 (Unaudited)	174,486	161,354	18,084	179,438

Note: Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 11.723% per annum to the liability component. The basis of the effective interest rate is determined by the director with reference to the market discount rate.

16. Goodwill

	HK$
At 31 December 2007 and 1 July 2008	–
Acquired through business combinations *(note 17)*	38,792
At 31 December 2008 (Unaudited)	38,792

17. Acquisitions during the period

On 19 November 2008, the Group completed the acquisition of 100% of the voting equity instruments of Ample Rich Enterprises Limited ("Ample Rich") a company whose principal activity is engaged in the business of plantation, research and development on related plantation technologies, manufacture, sale and distribution of plantation products, for a total consideration of $500,000,000 which are satisfied as (i) $400,000,000 by the issue of convertible notes and (ii) $100,000,000 by the issue of promissory note.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill at date of acquisition are as follows:

	Pre-acquisition carrying amount *HK$ 000*	Fair value adjustments *HK$ 000*	Fair value (Provisional) *HK$ 000*
Assets and liabilities acquired			
Property, plant and equipment	171	–	171
Other receivables	2,680	–	2,680
Standing timber	–	600,907	600,907
Cash and cash equivalent	77	–	77
Amount due to a director	(4,226)	–	(4,226)
Trade and other payables	(74)	–	(74)
Deferred tax liabilities	–	(150,226)	(150,226)
Net identifiable assets and liabilities	(1,372)	450,681	449,309
Assignment of loan			1,705
			451,014
Fair Value of the consideration for the acquisition			
Portion satisfied by the issue of Convertible Note			400,000
Portion satisfied by the issue of Promissory Note			87,749
Direct transaction cost			2,057
			489,806
Goodwill *(note 16)*			38,792

The goodwill is attributable to the benefit of expected revenue growth, future market development and the workforce of Ample Rich. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be measured reliably.

The acquisition, concluded on 19 November 2008 had no impact to Group's turnover and results for the period. Had the acquisition been completed on 1 July 2008, contribution to Group turnover would have been $ Nil and net result would have been immaterial as the Ample Rich have not commenced active business activities for the period.

In respect of the acquisition, the Group had commitment for future minimum lease payments under non-cancellable operating leases in respect of plantation land which fall due as follows:

	Unaudited As at 31 December 2008 *$'000*
Not later than one year	35
Later than one year but not later than five years	1,420
Later than five years	80,755
	82,210

The initial accounting for the above acquisition has been determined provisionally, awaiting for the finalization of professional valuation in relation to certain underlying asset and liabilities of Ample Rich.

18. Capital commitments

The Group's capital commitments outstanding at the balance sheet date not provided for in the interim financial statements were as follows:

	Unaudited As at 31 December 2008 *$'000*	Audited As at 30 June 2008 *$'000*
Acquisition of land use rights and property development costs:		
Contracted for	**23,192**	33,063

19. Event after the balance sheet date

On 12 March 2009, the Company has issued 695,090,000 conversion shares upon conversion of convertible notes in the principal amount of $44,485,760. The cumulative amount of conversion shares represents about 12.69% of the total number of issued shares as at 31 December 2008.

20. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 26 March 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

The turnover of the Group for the six months ended 31 December 2008 was approximately HK$74.8 million, as compared with HK$73.6 million for the corresponding period of last year. The loss attributable to shareholders was HK$0.7 million, as compared with a net loss of HK$20.2 million in the same period of last year.

As foreseen, the harsh global financial crisis had unavoidably affected adversely the China economy though to a lesser extent. The Group had insisted to retrench further its retail scale since the retail environment did not show signs of improvement. As at 31 December, 2008, the Group operated 2 fashion stores in China only.

Although the property market in China also plummeted since early 2008, the Group managed to sell over 90 percent of the units in the 22-storey "Singapore Ritz" situated in Zhongzhou City of Fujian Province.

During the period, the Group completed the acquisition of the entire capital of Ample Rich Enterprises Ltd. As a result, the Group owns the entire equity interests in a PRC Company, a wholly foreign owned enterprise principally engaged in the business of plantation related research and development of plantation related technologies, manufacture, sale and distribution of plantation products, including products from Populus tremula (commonly known as poplar tree) (楊樹) and Ricinus communis L. (commonly known as castor plant) (蓖麻).

As at 31 December 2008, the total area of forest land use right owned by the Group amounted to approximately 60,000 Chinese Mu ("Plantation Land"). Most of the Plantation Land is flatland, has been cultivated with poplar trees and with timber volume estimated as 639,486 cubic metres.

PROSPECT

The financial turmoil has adversely impacted the global economy. Despite the global economic downturn, the Group is positive towards the long-term prospect of the ecological plantation business in China. China has emerged as the world's largest wood-based panel producer and consumer, resulting in the long term growing demand of wood panel and related products. In addition, with the increasing awareness of ecological development and environmental protection, the Chinese government is implementing supportive and encouragement measures to ecological plantation industry. For example, the forestland concession right reform, subsidy to plantation of environmental friendly species, the tax reduction and rebate to agricultural and forestry corporations would further hasten the development of ecological plantation industry. As the PRC Company plans for 30 years sustainable plantation to cater the increasing and high demand from wood industry, paper making industry and industrial raw material, the Group is confident in capitalizing the business opportunities created by the growing market and supportive government policies.

In view of the deepening recession and the fierce competition in the fashion retailing and property development market, the Group will adopt very conservative policies to operate these businesses, and will only invest further on them when signs of recovery and real opportunities come.

LIQUIDITY AND FINANCIAL RESOURCES

The gross profit percentage of sales in property was approximately 18.9%.

Inventory level of property held for sales as at 31 December 2008 was HK$5.5 million, as compared with inventory of property under development of HK$62.2 million at 30 June 2008.

Net cash inflow from operating activities was HK$9.5 million, compared with a net cash inflow of HK$8.9 million for the same period last year. Cash balance at 31 December 2008 was HK$5.2 million, compared with a balance of HK$28.2 million at 30 June, 2008.

The Group did not have outstanding bank loans as at 31 December 2008 and 30 June 2008.

Capital commitment contracted for but not provided in the financial statement as at 31 December 2008 was approximately HK$23.2 million, as compared with HK$33.1 million at 30 June 2008.

The debt equity ratio at 31 December 2008 was 0.64, compared with zero at 30 June 2008.

The Group's current ratio at 31 December 2008 was 0.45, compared with 1.37 at 30 June, 2008. Quick ratio was 0.40, compared with 0.73 as at 30 June, 2008.

HUMAN RESOURCES

At 31 December 2008, the Group had 36 employees of which 30 were employed in the PRC for the Group's retailing, property rental, property development businesses and ecological plantation.

The Group offers competitive remuneration, bonus and share option packages based on the performance of the Group and that of individual employees. We also provide relevant training programs to strengthen the Group's human resources and keep high quality personnel at all levels.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2008, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company 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 (the "Model Code") were as follows:

Long positions in shares in the Company

	Number of ordinary shares of HK$0.01 each *(note)*	Number of underlying shares	Total number of shares interested	Percentage of total issued shares at 31 December 2008
Tan Sim Chew	232,505,226	16,000,000	248,505,226	4.54%
Lo King Fat, Lawrence	3,300,000	16,000,000	19,300,000	0.35%

Note: These shares are held by the respective directors personally as beneficial owners.

Save as disclosed above, as at 31 December 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares in or debentures of the Company or any associated corporation which have been recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The existing share option scheme of the Company was approved on 16 December 2005 ("Share Option Scheme"). The Directors may, at their discretion, invite any participant to take up options to subscribe for shares in the Company. The Share Option Scheme remains in force for a period of 10 years from 16 December 2005.

Movement of share options during the six months ended 31 December 2008 was as follows:

Directors	No. of options outstanding at 1 July 2008	No. of options exercised	No. of options outstanding at 31 December 2008	% of issued share capital at 31 December 2008
Tan Sim Chew	16,000,000	–	16,000,000	0.29%
Fu Zi Cong *(note)*	16,000,000	–	–	–
Zhong Ma Ming *(note)*	16,000,000	–	–	–
Lo King Fat, Lawrence	16,000,000	–	16,000,000	0.29%
Aggregate of employees *(note)*	2,600,000	–	34,600,000	0.63%
	66,600,000		66,600,000	

Note: Mr. Fu Zi Cong and Mr. Zhong Ma Ming ceased to act as directors on 12 December 2008 but renamed as employees of the Group. Their shares options have been re-classified under "Aggregate of employees".

The above options were granted on 25 January 2008 and exercisable at a subscription price of HK$0.0804 per share during the period from 26 July 2008 to 25 July 2011. Each option entitled its holder to subscribe for one share of HK$0.01 each in the Company.

During the six months ended 31 December 2008, no share option was granted, exercised, cancelled or lapsed during the period.

Apart from the foregoing, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2008, the persons having an interest in 5% or more of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the Part XV of SFO were as follows:

	Number of shares	Number of underlying shares	Total number of shares interested	Percentage of total issued shares
Blackpool Stadium Limited *(note 1)*	–	2,726,340,000	2,726,340,000	49.76%
Capital Master International Limited *(note 1)*	1,408,020,000	–	1,408,020,000	25.70%
Choy Ping Fai *(note 1)*	1,408,080,000	2,726,340,000	4,134,360,000	75.46%
Rising Hero Limited *(note 2)*	713,140,000	–	713,140,000	13.02%
Lai Yiu Keung *(note 2)*	713,140,000	–	713,140,000	13.02%
Sure Rich Holdings Limited *(note 3)*	486,875,000	–	486,875,000	8.89%
Cheung Wai Yin Wilson *(note 3)*	486,875,000	–	486,875,000	8.89%
China Magic Enterprises Limited *(note 4)*	468,750,000	–	468,750,000	8.56%
Sik Siu Kwan *(note 4)*	468,750,000	–	468,750,000	8.56%

Notes:

1. Blackpool Stadium Limited held 2,726,340,000 underlying shares and Capital Master International Limited held 1,408,020,000 shares. Mr. Choy Ping Fai had 100% interest in both Blackpool Stadium Limited and Capital Master International Limited and accordingly was deemed to have corporate interest in the 2,726,340,000 underlying shares and 1,408,020,000 shares.

2. Rising Hero Limited held 713,140,000 shares. Mr. Lai Yiu Keung had 100% interest in Rising Hero Limited and accordingly was deemed to have corporate interest in the 713,140,000 shares. In addition, he held 1,200,000 shares beneficially.

3. Sure Rich Holdings Limited held 486,875,000 shares. Mr. Cheung Wai Yin Wilson had 100% interest in Sure Rich Holdings Limited and accordingly was deemed to have corporate interest in the 486,875,000 shares.

4. China Magic Enterprises Limited held 468,750,000 shares. Mr. Sik Siu Kwan had 100% interest in China Magic Enterprises Limited and accordingly was deemed to have corporate interest in the 468,750,000 shares.

Save as disclosed herein, no other person was recorded in the register of interests and short positions maintained under section 336 of Part XV of the SFO as having an interest of in 5% or more of the issued share capital of the Company as at 31 December 2008.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Code on Corporate Governance Practice ("the Code") as set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). In the opinion of the Directors, the Company has met the code provisions of the Code during the six months ended 31 December 2008.

On 4 July 2008, Mr. Wong Kwai Sang resigned and Mr. Cheung Ngai Lam was appointed as independent non-executive directors. On 16 August 2008, Mr. Tsang Chun Pong resigned and Mr. Tsang Chung Yu was appointed as independent non-executive directors. Mr. Leung Kwong Choi was appointed as executive director on 6 October 2008. Mr. Fu Zi Cong and Mr. Zhong Ma Ming retired and ceased to as directors at the annual general meeting held on 12 December 2008.

On 2 March 2009, Mr. Wong Kwai Sang was appointed as independent non-executive director and on 20 March 2009, Mr. Tsang Chung Yu resigned as independent non-executive director.

The Company has an audit committee comprising three independent non-executive directors. The audit committee has reviewed together with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim results for the six months ended 31 December 2008.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the Model Code throughout the six months ended 31 December 2008.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 31 December 2008, neither the Company nor its subsidiaries repurchased, sold or redeemed any of the Company's shares during the period.

By Order of the Board
Tan Sim Chew
Chairman

Hong Kong, 26 March 2009