Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 115)

Interim Report **2008**

CONTENTS

CORPORATE INFORMATION

Executive Directors
Mr. Chu King Fai *(Chairman)*
Mr. Huang Bing Huang *(Chief Executive Officer and Chief Operation Officer)*
Mr. Au Kwok Chuen, Vincent

Non-executive Director
Mr. Zhao Juqun

Independent Non-executive Directors
Dr. Wong Yun Kuen
Mr. Yang Biao
Mr. Mok King Tong

Company Secretary
Madam Leung Lai Si, Rosena

Assistant Secretary
Mr. Ira Stuart Outerbridge III

Qualified Accountant
Mr. Cheng Mei Chau

Audit Committee and Remuneration Committee
Dr. Wong Yun Kuen
Mr. Yang Biao
Mr. Mok King Tong

Authorized Representative
Mr. Au Kwok Chuen, Vincent
Madam Leung Lai Si, Rosena

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Principal Banker
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Website
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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF

GRAND FIELD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 20, which comprises the condensed consolidated balance sheet of Grand Field Group Holdings Limited (the "Company") and its subsidiary companies (collectively referred to the "Group") as at 30 June 2008, the condensed consolidated income statement, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong, 25 September 2008

Lo Wing See
Practising Certificate number P04607

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000 (Restated)
Continuing operations:			
Revenues	2	**1,529**	5,140
Cost of revenue		**(254)**	(3,527)
		1,275	1,613
Less: Sales return of properties sold		**–**	(7,264)
Cost of properties returned		**–**	1,736
		–	(5,528)
Gross profit/(loss)		**1,275**	(3,915)
Other revenue		**347**	1,488
Distribution costs		**(122)**	(241)
Administrative expenses		**(16,284)**	(6,904)
Loss from operations		**(14,784)**	(9,572)
Finance costs		**(535)**	(507)
Loss before taxation	3	**(15,319)**	(10,079)
Income tax	4	**–**	–
Loss for the period from continuing operations		**(15,319)**	(10,079)
Discontinued operation:			
Loss for the period from discontinued operation	5(a)	**–**	(9,913)
Loss for the period		**(15,319)**	(19,992)
Attributable to:			
Shareholders of the Company		**(15,319)**	(19,992)
Minority interests		**–**	–
		(15,319)	(19,992)
Loss per share			
– Basic	7	**(0.609) cent**	(0.883) cent
– Diluted	7	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**22,718**	22,081
Investment properties	8	**96,049**	90,391
Prepaid premium for land leases		**192,442**	183,486
Properties under development		**40,170**	36,802
Mortgage loan receivables due after one year	9	**3,633**	3,908
Pledged bank deposits		**36,229**	2,090
Total non-current assets		**391,241**	338,758
Current assets			
Completed properties held for sale		**19,105**	18,180
Mortgage loan receivables	9	**2,235**	3,554
Other receivables, deposits and prepayments		**25,568**	7,042
Cash and cash equivalents		**25,729**	71,564
Total current assets		**72,637**	100,340
Total assets		**463,878**	439,098
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**50,336**	50,336
Reserves		**350,685**	343,215
Total equity		**401,021**	393,551

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2008

	Note	**30 June 2008 (Unaudited) *HK$'000***	31 December 2007 (Audited) *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**6,682**	6,272
Current liabilities			
Trade and other payables	*10*	**11,082**	11,891
Deposits received on properties held for sale		**1,613**	1,017
Amounts due to related parties		**–**	3,790
Interest-bearing borrowings	*11*	**32,602**	11,683
Taxes payable		**3,931**	3,874
Bank overdrafts – secured		**448**	521
Dividend payable		**42**	42
		49,718	32,818
Liabilities directly associated with discontinued operation	*5(b)*	**6,457**	6,457
Total current liabilities		**56,175**	39,275
Total liabilities		**62,857**	45,547
Total equity and liabilities		**463,878**	439,098
Net current assets		**16,462**	61,065
Total assets less current liabilities		**407,703**	399,823

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to shareholders of the Company					
	Share capital	**Share premium**	**Special reserve**	**Exchange reserve**	**Accumulated profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007 (Audited)	41,926	165,681	(2,215)	23,399	85,477	314,268
Issue of share capital	3,610	15,468	–	–	–	19,078
Exchange difference arising on translation of foreign operations	–	–	–	8	–	8
Net loss for the period	–	–	–	–	(19,992)	(19,992)
At 30 June 2007 (Unaudited)	45,536	181,149	(2,215)	23,407	65,485	313,362
At 1 January 2008 (Audited)	**50,336**	**261,949**	**(2,215)**	**46,247**	**37,234**	**393,551**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**22,789**		**22,789**
Net loss for the period	**–**	**–**	**–**	**–**	**(15,319)**	**(15,319)**
At 30 June 2008 (Unaudited)	**50,336**	**261,949**	**(2,215)**	**69,036**	**21,915**	**401,021**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(32,846)**	(3,368)
Net cash (used in)/generated from investing activities	**(34,146)**	3,903
Net cash generated from financing activities	**20,884**	3,195
Net (decrease)/increase in cash and cash equivalents	**(46,108)**	3,730
Cash and cash equivalents at 1 January	**71,043**	(7,277)
Effect of foreign exchange rate changes	**346**	8
Cash and cash equivalents at 30 June	**25,281**	(3,539)
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	**25,729**	613
Bank overdrafts – secured	**(448)**	(4,152)
	25,281	(3,539)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information for the six months ended 30 June 2008 has been prepared in accordance with 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") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It has been reviewed by the Company's Audit Committee and the Company's auditors, Messrs. Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007. The new/revised standards, amendments to standards and interpretations, which became effective for the accounting periods on or after 1 January 2008, did not result in substantial changes to the Group's balance sheet and income statement.

2. REVENUES

Revenues represents the aggregate of net amounts received and receivable for completed properties held for sale, investment properties and properties under development sold by the Group to outside customers, property rental income and property management service income, and is analysed as follows:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Sales on properties held for sale	**191**	4,226
Property rental	**925**	914
Management services income	**413**	–
Total	**1,529**	5,140

The Group principally operates in the People's Republic of China ("PRC") with revenue and results derived mainly from its operations in the PRC.

3. LOSS BEFORE TAXATION

Loss before taxation is stated after charging/(crediting) the following items:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans, overdrafts and other loans wholly repayable		
– Within five years	**535**	941
– Over five years	**–**	83
Amortisation of prepaid premium for land leases	**2,803**	39
Auditor's remuneration	**49**	259
Business tax and other levies *(Note 14)*	**79**	466
Cost of completed properties sold	**175**	3,061
Less: Cost of properties returned	**–**	(1,736)
Depreciation	**871**	730
Impairment loss on other receivables, deposits and prepayments	**2,122**	–
Minimum lease payments under operating leases for office premises	**839**	31
Net exchange losses	**706**	13
Staff costs, including directors' remuneration		
– Contributions to defined contribution retirement plans	**116**	62
– Salaries and other staff costs	**4,040**	2,351
Gross rental income from investment properties *(Note)*	**(879)**	(914)
Interest income	**(239)**	(17)

Note: The outgoings related to the gross rents from investment properties for each of the two periods ended 30 June 2008 and 2007 are negligible.

4. INCOME TAX

Enterprise income tax ("EIT") for the subsidiary incorporated in the PRC is calculated at 18% of the estimated assessable profit for the period (six months ended 30 June 2007: 15%).

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law"), which gradually increases the preferential tax rate of 15% in 2007 to 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively.

EIT for the subsidiaries incorporated in Hong Kong, which have property development investments in the PRC, is calculated at 33% of the estimated assessable profit for the period. In the period ended 30 June 2007, EIT was calculated at 3% of the sales revenue on the respective property development projects.

No provision for Hong Kong profit tax has been made in the financial statements (six months ended 30 June 2007: Nil) as the Group's income neither arises, nor is derived, from Hong Kong in both financial periods.

5. DISCONTINUED OPERATION

On 20 November 2006, the Group acquired 78% interest in a Hong Kong company, All Right Holdings Limited to operate a carnival project in Shenzhen. The carnival was originally scheduled to launch in Christmas 2006 throughout the Lunar Chinese New Year. Due to the failure to obtain approval from the local government in late 2006 for the operating licence, the project did not take place and was rescheduled to commence at Easter 2007. The rescheduling of the carnival resulted in an impairment loss of HK$5,000,000, upon the Directors' reassessment of its estimated cash flows, the Group set aside for the project in the financial year 2006.

In April 2007, the Group unfortunately failed to obtain the operating licence from the local government for the carnival in that the project came into a complete failure. No revenue or cash flow was generated from the project. The Directors of the Company have written off all prepaid expenses and deposits relating to the carnival and; consequently made an additional impairment loss of HK$8,605,000 in the income statement for the year ended 31 December 2007. The Directors have decided to discontinue the carnival operation.

(a) An analysis of the results of discontinued operation, after elimination of intra company transactions, is as follows:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenues	–	–
Other revenue	–	97
Administrative expenses	–	(888)
Impairment loss on prepaid carnival expenses and deposits	–	(8,605)
Loss from operations	–	(9,396)
Finance costs	–	(517)
Loss before taxation	–	(9,913)
Income tax	–	–
Loss for the period	–	(9,913)

(b) The major classes of liabilities of the discontinued operation, after elimination of intra company balances, are as follows:

	30 June 2008 (Unaudited) ***HK$'000***	31 December 2007 (Audited) *HK$'000*
Liabilities		
Current liabilities		
Trade payables and other payables	**(3,599)**	(3,599)
Interest-bearing borrowings	**(2,858)**	(2,858)
Liabilities directly associated with discontinued operation	**(6,457)**	(6,457)

6. DIVIDENDS

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

7. LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to shareholders for the six months ended 30 June 2008 of approximately HK$15,319,000 (six months ended 30 June 2007: HK$19,992,000) and on the weighted average number of 2,516,810,000 (six months ended 30 June 2007: 2,263,846,000) shares issued during the period.

Diluted loss per share is not presented as there are no diluting events during the six months ended 30 June 2008 and 2007.

8. INVESTMENT PROPERTIES

Investment properties were assessed annually by BMI Appraisals Limited ("BMI"), an independent professional valuator. The valuation is performed on the basis of open market value of each individual property at end of each of financial year. On 21 April 2008, BMI issued a valuation report of the investment properties as at the date of 31 December 2007. The Directors have considered that there are no significant changes by the market on the valuation of investment properties since 31 December 2007 except for adjustment for the appreciation of Renminbi ("RMB") against Hong Kong Dollar ("HKD"). Therefore, the Directors considered that the fair value of investment properties at 30 June 2008 was approximately the same as that of 31 December 2007.

9. MORTGAGE LOAN RECEIVABLES

	30 June 2008 (Unaudited) ***HK$'000***	31 December 2007 (Audited) *HK$'000*
Total loan receivables, secured	**13,669**	14,982
Less: Provision for impairment loss	**(7,801)**	(7,520)
Total loan receivables, net of impairment loss	**5,868**	7,462
Less: Balance due within one year included under current assets	**(2,235)**	(3,554)
Balance due after one year	**3,633**	3,908

Mortgage loan receivables represent interest-free loans provided by the Group to the purchasers of properties which are repayable by instalments as stipulated in the loan agreements. The loans are secured by the purchasers' properties. Pursuant to the terms of the purchases and sales agreements, upon default in instalment payments by these purchasers, the Group is entitled to take over the legal title and possession of the related properties.

All mortgage loan receivables are denominated in Renminbi.

The carrying amounts of the current portion and non-current portion of mortgage loan receivables approximate to their fair value. The fair value is determined based on cash flows discounted using the Group's bank borrowings rate of 7.25% per annum (31 December 2007: 7.25% per annum).

The following is a maturity analysis of mortgage loan receivables at the balance sheet date:

	30 June 2008 (Unaudited) ***HK$'000***	31 December 2007 (Audited) *HK$'000*
Within one year	**3,849**	7,579
In more than one year but less than five years	**9,820**	7,065
In more than five years	**–**	338
	13,669	14,982

10. TRADE AND OTHER PAYABLES

An ageing analysis of trade payables is set out below:

	30 June 2008 (Unaudited) ***HK$'000***	31 December 2007 (Audited) *HK$'000*
Current to 90 days	**–**	–
91 to 180 days	**–**	–
181 to 360 days	**–**	–
Over 360 days	**988**	941
	988	941

11. INTEREST-BEARING BORROWINGS

	30 June 2008 (Unaudited) ***HK$'000***	31 December 2007 (Audited) *HK$'000*
Loans from third party, unsecured and wholly repayable on demand or within one year	**1,822**	11,683
	1,822	11,683
Less: Portion classified as current liabilities	**(1,822)**	(11,683)
Total shown as non-current liabilities	**–**	–
Current portion of loans from third party	**1,822**	11,683
Secured bank loan	**30,780**	–
Total shown as current liabilities	**32,602**	11,683
Total interest-bearing borrowing	**32,602**	11,683

Interest on loans from third party is charged at the weighted average effective interest rate of 12% (31 December 2007: 12%) per annum.

A new secured short-term loan from a bank was borrowed during the period and is secured by the Group's fixed deposits held with the bank of HK$34 million. Interest is charged on the outstanding balances at a floating rate. During the period, the interest rate charged approximates 3.8%.

12. COMMITMENTS

(a) The Group's capital commitments outstanding at 30 June 2008 not provided for in the financial statements were as follows:

	30 June 2008 (Unaudited) ***HK$'000***	31 December 2007 (Audited) *HK$'000*
Contracted but not provided for:		
Premium for land leases	**411**	386
Authorised but not contracted for:		
Property development expenditure	**33,183**	31,145
	33,594	31,531

(b) At 30 June 2008, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2008 (Unaudited) ***HK$'000***	31 December 2007 (Audited) *HK$'000*
Within one year	**2,259**	1,419
In the second to fifth years inclusive	**–**	828
	2,259	2,247

The Group is the lessee in respect of office premises held under operating leases. The leases typically run for an initial period of two years, at the end which period all terms are renegotiated. None of the leases includes contingent rentals.

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of six months to fourteen years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

At 30 June 2008, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	30 June 2008 (Unaudited) ***HK$'000***	31 December 2007 (Audited) *HK$'000*
Within one year	**1,083**	927
In the second to fifth years inclusive	**2,854**	3,128
Over five years	**984**	1,074
	4,921	5,129

13. POST BALANCE SHEET EVENTS

On 23 August 2008, a wholly-owned subsidiary company of the Group entered into a sales and purchase agreement for sale of its property located in Hong Kong at a consideration of HK$5.05 million. The transaction will be completed on or before 22 October 2008.

14. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Business tax and other levies have been reclassified and included in the cost of sales, rather than deducted from turnover, in the six months ended 30 June 2008. Accordingly, turnover for the six months ended 30 June 2007 has been increased by HK$466,000 to reclassify the business tax and other levies to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business review

China's economy had encountered significant volatility during the first half of the year. The economy was clouded by escalation in inflation, slowdown in global economies, and weakening financial market in Mainland China. The State's macroeconomic austerity measures aiming at curbing inflation had, to a certain extent, affected the property industry. Property prices in the Pearl River Delta during the first half of the year retreated at a relatively significant degree when compared with that of last year, leading to hesitation in consumption among the majority of potential home buyers. The property development and investment projects of the Group are mainly located in Shenzhen and its business had also been affected by the market environment.

Grand Field Group Limited ("Grand Field") and Yuan Cheng Real Estate (Shenzhen) Limited ("Yuan Cheng"), wholly-owned subsidiaries of the Group, entered into a co-operation framework agreement with Shenzhen Zhong Cheng Construction Engineering Company Limited ("Zhong Cheng") during the period under review. Grand Field will appoint Zhong Cheng as main contractor of each of the property projects of Grand Field in next ten years and Zhong Cheng agreed to engage Yuan Cheng to provide it with management services for the construction works of each of the projects.

During the period under review, the Group expanded its business in commercial centre and shopping centre, and continued to provide planning, management and consultancy services to Dongguan City Hua Jia Fu.

2. Financial review

For the six months ended 30 June 2008, the Group continued to consolidate its business, and to adjust its operational structure and investment portfolio under the leadership of the new management. The turnover of the Group for the first half of the year amounted to HK$1.5 million, representing a decrease of 70% when compared with that of the same period of last year. This was mainly due to a decline in revenue from property sales during the first half of the year. During the period under review, the Group recorded a net loss attributable to equity holders of the Company of approximately HK$15 million, representing an decrease of 23% when compared with approximately HK$20 million of the same period of last year .Basic loss per share was HK$0.609 cent (30 June 2007: loss of HK$0.883 cent)

During the period under review, the Group's revenue comprised property sales of HK$0.19 million (30 June 2007: HK$4.2 million), property rental of HK$0.9 million (six month ended 30 June 2007: HK$0.9 million) and management services fee of HK$0.4 million (30 June 2007: Nil).

The net loss for the period under review was mainly due to decrease in revenue from sales of properties and an increase in administrative expenses. The administrative expenses increased by approximately 136% from HK$6.9 million for the six months ended 30 June 2007 to HK$16.3 million for six months ended 30 June 2008. The increase in administrative expenses was mainly due to (i) increase in additional consultants and high calibre employees employed; (ii) increase in professional fee; (iii) increase in rental expenses due to relocation of the China and Hong Kong Offices to prestigious office towers at Nanshan (Shenzhen) and Admiralty respectively, (iv) the additional amortization charge on the Buji land prepaid premium and (v) the additional bad debt provision.

3. Prospects

The rise on domestic commodity prices, raw material prices in particular, had led to the Chinese Government's further tightening measures to prevent the economy from overheating and intensified inflation. With stringent credit policy and hesitation in consumption in the market, the Mainland China, particularly in Shenzhen property market where property prices had dropped significantly since the beginning of the year, is expected to encounter severe challenge.

After reviewing the Group's financial status and the market environment, the new management believed the Group should maintain sufficient capital, in order to be able to swiftly respond to market changes and the Group's future development.

The management service provided by Yuan Cheng in Dongguan will continue to contribute steady recurrent revenue for the Group. In the second half of the year, the Group will continue to consolidate its existing businesses and to seek new investment opportunity to build a stronger and sustainable business portfolio.

Following the completion of the reorganization of the Board, the new management can now focus on the enhancement of operational scale and efficiency of the Group, and further fine tuning the division of labour among different functional departments, in order to ensure effective implementation of corporate strategy and planning approved by the Board.

4. Liquidity and financial resources

As at 30 June 2008, the Group's cash and cash equivalents were approximately HK$25 million (31 December 2007: HK$72 million). The percentage of cash and cash equivalents denominated in HKD and RMB were 6% and 94% respectively (31 December 2007: 98% and 2% respectively).

As at 30 June 2008, the Group recorded total current assets of approximately HK$73 million (31 December 2007: HK$100 million) and total current liabilities of approximately HK$56 million (31 December 2007: HK$39 million). The Group recorded total assets of approximately HK$464 million (31 December 2007: HK$439 million) and the Group's total interest-bearing borrowings amounted to approximately HK$32.6 million (31 December 2007: HK$11.7 million), all of them are repayable within one year.

All of the Group's borrowings for the period under review were denominated at RMB and 6% of them were at fixed interest rate (31 December 2007: 100%).

The gearing ratio for the six months ended 30 June 2008, which was calculated on the basis of total borrowings to shareholders' equity, was 8% (31 December 2007: -8%).

5. Share capital

	Number of shares	Amount *HK$'000*
Authorised:		
Ordinary shares of HK$0.02 each		
At beginning and end of period	5,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.02 each		
At beginning and end of period	2,516,810,000	50,336

6. Exchange risk

The Group's major operations are located in the PRC and the main operational currencies are HKD and RMB. There was continuing trend developed for appreciation of RMB against HKD since the middle of last year and the movement of such was acting favourable to the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimize the foreign exchange risk and exposure.

7. Charge on assets

Buildings with a net book value amounted to approximately HK$0.9 million (31 December 2007: HK$0.9 million) have been pledged to a bank to secure bank overdraft facilities granted to the Group. The buildings were subsequently sold and the pledge was released by the bank in August 2008.

Bank deposit of the Group amounted to HK$34 million (31 December 2007: Nil) has been pledged as a security for the short term loan of RMB27 million made available from the bank to a subsidiary company.

8. Employees

For the period under review, the Group employed 50 employees (six months ended 30 June 2007: 61) and the related staff cost amounted to approximately HK$4.2 million (six months ended 30 June 2007: HK$2.4 million). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from base salary and statutory provident fund scheme, employees will also be offered discretionary bonus based on the results of the Group and their individual performance. No option under the Company's share option scheme was granted to employee of the Group during the period under review.

OTHER INFORMATION

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2008, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under 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 (the "Model Code") as set out in the Listing Rules were as follows:

Long positions in shares of the Company

	Number of ordinary shares held				
Name of director	Personal interest	Family interests	Corporate interests	Total interests	Total interests as percentage of the issued share capital
Mr. Huang Bing Huang	–	–	557,260,000 *(Note)*	557,260,000	22.14%
Mr. Yang Biao	250,000	–	–	250,000	0.01%

Note: These shares are held through Hongkong Zhongxing Group Co., Limited, the entire issued capital of which is owned by Mr. Huang Bing Huang. By virtue of the provision of Part XV of SFO, Mr. Huang Bing Huang is deemed to be interested in the Company's shares in which Hongkong Zhongxing Group Co., Limited is interested.

Save as disclosed above, as at 30 June 2008, none of the directors or the chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company, subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwised notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2008, so far as is known to the directors, the following parties (other than the directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of SFO:

Name of shareholders	Number of ordinary shares	Percentage of interest
Rhenfield Development Corp.*	479,050,000	19.03%
Worldgate Developments Ltd.	126,000,000	5.01%
Logistics China Enterprises Ltd.	126,000,000	5.01%

**Note: Rhenfield Development Corp. is owned by Mr. Tsang Wai Lun, Wayland and Madam Kwok Wai Man, Nancy in equal shares.*

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at 30 June 2008.

SHARE OPTION SCHEME

On 23 June 2006, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contract to any company in the Group or any affiliate; (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; and (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Scheme from 23 June 2006.

As at 30 June 2008, no options were granted, forfeited, exercised, expired or outstanding under the Share Option Scheme.

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

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

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2008, in compliance with the requirements of the code provisions in the Code of Corporate Governance Practices set out in Appendix 14 (the "Code Provision") to the Listing Rules except that the Independent Non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

CODE FOR DEALING IN COMPANY'S SECURITIES BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code").

All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code and the said code of conduct during the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. The Board has adopted a set of written terms of reference, which described the authority and duties of the Audit Committee, and the contents of which are in compliance with the Code Provisions and Recommended Best Practices of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code").

The Audit Committee is accountable to the Board and the principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee is also provided with other resources enabling it to discharge its duties fully.

The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group, and has discussed internal controls and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2008.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors. The Board has adopted a set of written terms of reference, which described the authority and duties of the Remuneration Committee, and the contents of which are in compliance with the Code Provisions and Recommended Best Practices of the CG Code.

The main responsibility of Remuneration Committee includes reviewing and making recommendation to the Board on the Company's policies, structure and remuneration packages of directors and senior management of the Group.

POST BALANCE SHEET EVENTS

On 23 August 2008, a wholly-owned subsidiary company of the Group entered into a sales and purchase agreement for sale of its property located in Hong Kong at a consideration of HK$5.05 million. The transaction will be completed on or before 22 October 2008.

By order of the Board
CHU KING FAI
Chairman

Hong Kong, 25 September 2008

As at the date of this report, the Board of the Company consists of Mr. Chu King Fai, Mr. Huang Bing Huang, and Mr. Au Kwok Chuen, Vincent as executive directors; Mr. Zhao Juqun as non-executive director; Dr. Wong Yun Kuen, Mr. Yang Biao and Mr. Mok King Tong as independent non-executive directors.