GFT HOLDINGS LIMITED
真樂發控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

The board of directors (the "Board") of GFT Holdings Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 as follows:—

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Note	2006	2005
		HK$'000	*HK$'000*
			(restated)
Continuing operations			
Turnover	2	**130,085**	165,810
Cost of sales		**(129,847)**	(139,344)
Gross profit		**238**	26,466
Other income		**1,178**	8,854
Distribution costs		**(2,258)**	(5,675)
Administrative expenses		**(28,465)**	(17,994)
Other expenses		**(6,152)**	(118)
Gain on disposal of subsidiaries		**—**	10
Finance costs		**(930)**	(85)
(Loss) Profit before taxation		**(36,389)**	11,458
Taxation	4	**(76)**	(872)
(Loss) Profit for the year from continuing operations		**(36,465)**	10,586
Discontinued operation			
(Loss) Profit for the year from discontinued operation	5	**(68)**	585
(Loss) Profit for the year	6	**(36,533)**	11,171

	Note		
Attributable to:			
Equity holders of the Company		**(36,610)**	10,056
Minority interests		**77**	1,115
(Loss) Profit for the year		**(36,533)**	11,171
(Loss) Earnings per share	*8*		
From continuing and discontinued operations			
Basic		**(5.59 cents)**	1.60 cents
Diluted		**N/A**	1.57 cents
From continuing operations			
Basic		**(5.58 cents)**	1.52 cents
Diluted		**N/A**	1.49 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	**2006** *HK$'000*	2005 *HK$'000*
Non-current assets			
Property, plant and equipment		**52,551**	65,021
Goodwill		**4,201**	5,733
Prepaid lease payments		**3,327**	8,698
Club debenture		**220**	220
		60,299	79,672
Current assets			
Inventories		**7,175**	8,767
Trade and other receivables	*9*	**32,648**	45,619
Current portion of prepaid lease payments		**72**	180
Bank balances and cash		**7,136**	6,044
Tax receivable		**196**	—
		47,227	60,610
Non-current assets classified as held for sale		**19,127**	—
		66,354	60,610

Current liabilities			
Trade and other payables	*10*	**42,532**	43,024
Current portion of interest-bearing borrowings		**8,800**	1,750
Current portion of obligations under finance leases		**1,813**	1,656
Taxation		**—**	1,734
		53,145	48,164
Liabilities associated with non-current assets classified as held for sale		**2,093**	—
		55,238	48,164
Net current assets		**11,116**	12,446
Total assets less current liabilities		**71,415**	92,118
Non-current liabilities			
Long-term interest-bearing borrowings		**—**	1,312
Long-term obligations under finance leases		**1,801**	3,614
		1,801	4,926
NET ASSETS		**69,614**	87,192
Capital and reserves			
Share capital		**19,536**	15,785
Reserves		**48,616**	69,861
Equity attributable to equity holders of the Company		**68,152**	85,646
Minority interests		**1,462**	1,546
TOTAL EQUITY		**69,614**	87,192

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2005 financial statements except for the adoption of the amendments to HKAS39 and HKFRS 4 in respect of financial guarantee contracts. The adoption of these new accounting policy has no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

2. TURNOVER

Turnover and revenue represent sale of goods at invoiced value to customers net of return and discounts.

	2006	2005
	HK$'000	*HK$'000*
Continuing operations	**130,085**	165,810
Discontinued operation	**2,547**	13,318
	132,632	179,128

3. SEGMENT INFORMATION

The Group is engaged in toy products trading and manufacturing, securities trading and investments and consumer products trading and manufacturing.

An analysis of the Group's turnover and results for the year by business segments and geographical segments is as follows:

Primary reporting format — business segments:

2006

Consolidated	Continuing operations			Discontinued operation	
	Toy products trading and manufacturing	Securities trading and investments	Total	Consumer products trading and manufacturing	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
Revenue from external customers	130,085	—	130,085	2,547	132,632
Segment results	(27,350)	(18)	(27,368)	(423)	(27,791)
Other income			1,178	—	1,178
Unallocated operating income and expenses			(9,269)	—	(9,269)
Gain on disposal of subsidiaries			—	355	355
Finance costs			(930)	—	(930)
Loss before taxation			(36,389)	(68)	(36,457)
Taxation			(76)	—	(76)
Loss for the year			(36,465)	(68)	(36,533)

2005

Consolidated	Continuing operations: Toy products trading and manufacturing	Continuing operations: Securities trading and investments	Total	Discontinued operation: Consumer products trading and manufacturing	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
Revenue from external customers	157,473	8,337	165,810	13,318	179,128
Segment results	13,941	2,785	16,726	(2,625)	14,101
Other income			1,396	646	2,042
Unallocated operating income and expenses			(6,589)	—	(6,589)
Gain on disposal of subsidiaries			10	2,583	2,593
Finance costs			(85)	(18)	(103)
Profit before taxation			11,458	586	12,044
Taxation			(872)	(1)	(873)
Profit for the year			10,586	585	11,171

Secondary reporting format — geographical segments

In presenting information on the basis of geographical segments, segment revenue based on the geographical location of customers is as follows:

	2006	2005
	HK$'000	*HK$'000*
Japan	**52,623**	72,012
Hong Kong	**35,531**	39,758
PRC	**32,426**	40,824
Taiwan	**4,915**	—
Europe	**4,408**	17,423
Singapore	**1,834**	1,268
United States of America	**605**	6,839
Others	**290**	1,004
	132,632	179,128

4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% *(2005: 17.5%)* on the Group's estimated assessable profits arising from Hong Kong during the year.

The income tax provision in respect of operations in the PRC and overseas is calculated at the applicable tax rates on the estimated assessable profits, if any, for the year based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Continuing operations		
Current tax		
Hong Kong	**59**	661
PRC Enterprise Income Tax	**—**	216
Under (Over) provision in prior years		
Hong Kong	**17**	(5)
Tax charge from continuing operations	**76**	872
Discontinued operation		
Current tax		
Hong Kong	**—**	1
Tax charge from discontinued operation	**—**	1
Total tax charge for the year	**76**	873

5. DISCONTINUED OPERATION

On 22 June 2006, the Group disposed two non-wholly owned subsidiaries, which manufacture and trade electronic components and were a separate business segment of the Group. The disposal transactions have been completed on 22 June 2006. The results of the discontinued operation for the current year up to the date of disposal and the prior year are summarised as follows:

	2006	2005
	HK$'000	*HK$'000*
(Loss) Profit for the year from discontinued operation		
Revenue	**2,547**	13,318
Other income	**—**	646
Gain on disposal of subsidiaries	**355**	2,583
Expenses	**(2,970)**	(15,943)
Finance costs	**—**	(18)
(Loss) Profit before taxation	**(68)**	586
Taxation	**—**	(1)
(Loss) Profit for the year from discontinued operation	**(68)**	585

6. (LOSS) PROFIT FOR THE YEAR

This is stated after charging (crediting):

	2006	2005
	HK$'000	*HK$'000*
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	**17,444**	19,136
Share options granted	**1,868**	—
Contribution to defined contribution plans	**2,362**	1,053
	21,674	20,189
Cost of inventories	**131,923**	138,487
Auditors' remuneration	**897**	1,090
Depreciation on property, plant and equipment	**5,336**	3,929
Amortisation on prepaid lease payments	**182**	179
Provision for obsolete inventories	**1,516**	—
Provision for impairment losses		
Goodwill (included in other expenses)	**1,136**	909
Trade and other receivables (included in administrative expenses)	**1,451**	20
Net exchange losses	**152**	169
Loss on disposal of property, plant and equipment	**42**	12
Operating lease payments for premises	**463**	662
Gain on disposal of investment held for trading	**—**	(2,863)

7. DIVIDENDS

The Board does not recommend payment of final dividend for the year ended 31 December 2006 (2005: nil).

8. (LOSS) EARNINGS PER SHARE

(a) For continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to the equity holders of the Company are based on the following data:

Earnings

	2006	2005
	HK$'000	*HK$'000*
(Loss) Profit for the year attributable to equity holders of the Company for the purpose of basic (loss) earnings per share	**(36,610)**	10,056
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**N/A**	41
Earnings for the purpose of diluted earnings per share		10,097

Number of shares

	2006	2005
	Number of shares	Number of shares
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**654,390**	628,074
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**N/A**	11,685
Convertible notes	**N/A**	3,342
Weighted average number of ordinary shares for the purpose of diluted earnings per share		643,101

Note:

The number of shares in 2006 and 2005 were adjusted to reflect the share consolidation of every five shares of HK$0.01 each of the Company into two shares of HK$0.025 each which became effective on 6 March 2007. Comparative figures have been restated accordingly.

Diluted loss per share for the year ended 31 December 2006 has not been shown because there was no dilutive potential ordinary share in issue at the balance sheet date.

(b) For continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to the equity holders of the Company are based on the following data:

Earnings

	2006	2005
	HK$'000	*HK$'000*
(Loss) Profit for the year attributable to equity holders of the Company	**(36,610)**	10,056
Less:		
(Loss) Profit for the year from discontinued operations	**67**	(500)
(Loss) Earnings for the purpose of basic (loss) earnings per share from continuing operations	**(36,543)**	9,556
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**N/A**	41
Earnings for the purpose of diluted earnings per share from continuing operations		9,597

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

(c) For discontinued operation

Basic loss per share for the discontinued operation is HK0.01 cent per share *(2005: earnings per share of HK0.08 cent per share)* and diluted loss per share for the discontinued operation for the year ended 31 December 2006 is not applicable (2005: diluted earnings per share of HK0.08 cent per share), based on the loss for the year from the discontinued operation of HK$67,000 (2005: profit for the year of HK$500,000) and the denominations detailed above for both basic and diluted (loss) earnings per share.

9. TRADE AND OTHER RECEIVABLES

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	**23,006**	35,384
Deposits, prepayments and other receivables	**9,642**	10,235
	32,648	45,619

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) as of the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	**10,851**	19,345
61 to 90 days	**3,803**	5,031
Over 90 days	**8,352**	11,008
	23,006	35,384

10. TRADE AND OTHER PAYABLES

	2006	2005
	HK$'000	*HK$'000*
Trade payables	**20,099**	17,617
Other payables		
Accrued charges and other creditors	**17,606**	11,987
Due to related companies	**4,827**	13,420
	22,433	25,407
	42,532	43,024

The ageing analysis of trade payables as at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	**5,540**	6,566
61 to 90 days	**836**	5,694
Over 90 days	**13,723**	5,357
	20,099	17,617

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The year passed is definitely a difficult year to the Group. Pessimistic market sentiment and customers' conservation in toy industry amplify the competition and create severe pressure on the volume, pricing and margin. Similar to many other toy manufacturers, the Group faces with shrinkage in its toy business. In year 2006, the segment of toy trading and manufacturing reported a turnover of HK$130.1 million, being a decline of HK$27.4 million or 17.4% when compared with last year.

In line with the target to focus the Group's resources, business in the segments other than toy trading and manufacturing continued to diminish during the year. Following the divestment of the non-performing business, only approximately HK$2.5 million was recorded as turnover from segments other than toy business, representing a drop of HK$19.2 million or 88.5% when compared with last year.

Operation Review

The manufacturing plant at Boluo, Huizhou continues to be the main operation site of the Group. The management persisted to streamline the production process and exercise stringent measures on cost control during the year. Nevertheless, various unfavourable factors relentlessly defeating manufacturers in mainland China, like escalating material cost, heightened minimum wages, unstable utilities supplies and Renminbi appreciation, counteract the management's effort. Furthermore, the shrinkage in sales mentioned before also affected the operations in a way that production capacity was not fully utilized during the year.

Prospects

It is anticipated that the unfavourable market conditions in toy industry shall persist in the ensuing years and thus we propose to cut out the manufacturing business so as to prevent the Group from suffering further losses and cash outflow and to reallocate more resources to other promising areas, including toy, gift and premium trading business and other potential investments.

We recognize that the value of the Company is driven by earnings and growth. Hence, we will make good use of the fund raised from the recent placing of new shares of the Company in March and April 2007 to invest in business with attractive potential of growth and profitability. We are optimistic that the Group will sail through the difficult period and poise to embark on the next era of expansion.

Financial Review

Review of Results

The Group reported a turnover from continuing operations of approximately HK$130.1 million for the year ended 31 December 2006, representing a decrease of HK$35.7 million or 21.5% when compared with last year. Out of this HK$35.7 million decline, HK$8.3 million was attributable to the inactiveness of securities trading and investment segment. The remaining HK$27.4 million came from the toy products segment, being the consequence of the tough and keen competition in toy industry during the year. In respect of the disposed consumer produces segment, the turnover decreased from HK$13.3 million to HK$2.5 million for the year under review.

Gross profit dropped by HK$26.3 million from HK$26.5 million to HK$0.2 million when compared with last year. The substantial decrease in gross profit was partly due to non-contributing securities trading which recorded gross profit of HK$2.9 million in prior year. Whilst, certain unfavourable factors impacting the toy business, including severe price competition, thinned margin, escalating material cost, wages and other direct production cost, were the critical reasons.

In the year under review, conservative provisions had been made for obsolete stock and doubtful debts. Together with the fair value of the share options granted during the year as computed and recognized as an expense under the provisions of new accounting standards, administrative and other expenses increased when compared with prior year. The low level of gross profit was insufficient to cover the inflated expenses and as a consequence the Group suffered from loss attributable to equity holders of HK$36.6 million for the year ended 31 December 2006.

Liquidity and Financial Resources

As at 31 December 2006, total borrowings of the Group amounted to HK$12.4 million (2005: HK$8.3 million), of which HK$10.6 million (2005: HK$3.4 million) was repayable within one year. The borrowings include a secured bank loan of approximately HK$8.8 million (2005: nil) and obligations under finance lease of HK$3.6 million (2005: HK$5.3 million).

The gearing ratio, expressed as the percentage of total liability over equity attributable to the equity holders of the Company, of the Group as at 31 December 2006 was 83.7% (2005: 62.0%). The increase was due to, on one hand, the new secured bank loan with year end balance of approximately HK$8.8 million obtained during the year to finance the working capital of the Group and, on the other hand, the net reduction in equity resulted from the loss incurred by the Group during the year.

Charges on Assets

As at 31 December 2006, certain building, land use right and plant and machinery with carrying values of HK$38.0 million (2005: nil), HK$3.4 million (2005: nil) and HK$4.8 million (2005: HK$6.0 million) respectively were pledged to banks to secure the bank loans and finance leases granted to the Group.

Exposure to Exchange Rates

Most of the Group’s business transactions, assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi. The Group’s exposure to United States dollars currency risk is minimal as Hong Kong dollars is pegged to United States dollars. Nevertheless, as Renminbi is becoming more volatile, the Group’s operations and performances might thus be affected. Presently, the Group does not have any currency hedging policy but will closely monitor the fluctuation of Renminbi exchange rate and take appropriate measures to minimise any adverse impact that may be caused by such fluctuation.

Contingent Liabilities

The Group has no material contingent liabilities save that a writ of summons dated 8 October 2004 was filed by Mr. Kwok Chin Wing, a former director of the Company, against the Company in respect of the loans due from two former subsidiaries of the Company for a sum of approximately HK$44.5 million together with accrued interests thereof (the “Action”).

The Company had already completed discovery of documentary evidence and exchange of witness statements and was ready to proceed with the trial since early 2006. However, Mr. Kwok took out applications in July 2006 for substantial amendments to his Re-Re-Amended Statement of Claim (the "Amendment Application") and joinder of party to the Action (the "Joinder Application"). The Amendment Application and the Joinder Application had substantially delayed the setting down of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007 and the parties are now working on the proper directions to be sought for the further conduct of the Action. Notwithstanding the substantial amendments made to the Re-Re-Amended Statement of Claim and the joining of a new party to the Action, the solicitors and counsel acting for the Company still hold good for their advice previously delivered to the Company. With the benefit of the advice of the solicitors and counsel acting for the Company, the directors of the Company formed the opinion that Mr. Kwok does not have a valid claim against the Company and therefore it is unlikely to have any material adverse financial impact on the Group.

EMPLOYEES

As at 31 December 2006, the Group had approximately 1,370 employees in Hong Kong and the PRC.

To attract, retain and motivate its employees, the Group has developed effective remuneration policies that are subject to review on regular basis. The Group's employees are remunerated with competitive packages which are in line with prevailing industry practice and individual performance. Furthermore, share option and performance-based bonus scheme are also in place to recognize the outstanding employees.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2006 except for the deviation from A.4.1 of the CG Code that none of the existing non-executive directors of the Company is appointed for specific term. However, as the directors are subject to the retirement by rotation provisions under the bye-laws of the Company, the Company considers that sufficient measures have been in place to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding the directors' securities transaction. Having made specific enquiry, all directors confirmed that they fully complied with the Model Code throughout the year.

Scope of Work of the Auditors

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2006 have been agreed by the Group's auditors, Moores Rowland Mazars (the "Auditors") to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

Review of the Results

The audit committee of the Company has reviewed with the management and the Auditors the accounting principals and practices adopted by the Group and discussed internal control and financial reporting matters including the consolidated financial statements for the year ended 31 December 2006.

By Order of the Board
GFT Holdings Limited
Leung Wai Ho
Chairman

Hong Kong, 23 April 2007

As at the date of this announcement, the Board comprises Mr. Leung Wai Ho, Mr. Wong Chung Shun and Mr. Ha Kee Choy, Eugene as executive directors and Mr. Chui Chi Yun, Robert, Mr. Lam Kwok Cheong and Mr. Lai Wing Leung, Peter as independent non-executive directors.

** for identification purpose only*