

**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 2007**

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 2007 as follows:—

**CONSOLIDATED INCOME STATEMENT***For the year ended 31 December 2007*

	<i>Notes</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Turnover and Revenue</b>	2	<b>132,987</b>	130,085
Cost of sales		<u>(129,977)</u>	<u>(129,847)</u>
Gross profit		<b>3,010</b>	238
Other income		<b>2,061</b>	1,178
Distribution costs		<b>(3,379)</b>	(2,258)
Administrative expenses		<b>(21,985)</b>	(28,465)
Loss on assignment of an amount due from a subsidiary upon disposal		<b>(68,559)</b>	—
Other expenses		<b>(5,420)</b>	(6,152)
Gain on disposal of subsidiaries		<b>20,413</b>	—
Finance costs		<u>(940)</u>	<u>(930)</u>
<b>Loss before taxation</b>	4	<b>(74,799)</b>	(36,389)
Taxation	5	<u>(171)</u>	<u>(76)</u>
Loss for the year from continuing operations		<b>(74,970)</b>	(36,465)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation		<u>—</u>	<u>(68)</u>
<b>Loss for the year</b>		<b><u>(74,970)</u></b>	<b><u>(36,533)</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		<b>(73,579)</b>	(36,610)
Minority interests		<b>(1,391)</b>	77
<b>Loss for the year</b>		<b><u>(74,970)</u></b>	<b><u>(36,533)</u></b>
		<i>HK cents</i>	<i>HK cents</i> (restated)
Loss per share	7		
From continuing and discontinued operations			
Basic		<b>(3.30)</b>	<b>(3.15)</b>
Diluted		<u>N/A</u>	<u>N/A</u>
From continuing operations			
Basic		<b>(3.30)</b>	<b>(3.14)</b>
Diluted		<u>N/A</u>	<u>N/A</u>

\* *for identification purpose only*

# CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	<i>Notes</i>	<b>2007</b> <b>HK'000</b>	2006 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>155</b>	52,551
Goodwill		—	4,201
Prepaid lease payments		—	3,327
Club debenture		—	220
		<b>155</b>	60,299
<b>Current assets</b>			
Inventories		—	7,175
Trade and other receivables	8	<b>15,546</b>	32,648
Financial assets at fair value through profit or loss		<b>11,339</b>	—
Current portion of prepaid lease payments		—	72
Bank balances and cash		<b>235,437</b>	7,136
Tax recoverable		<b>231</b>	196
		<b>262,553</b>	47,227
Non-current assets classified as held for sale		—	19,127
		<b>262,553</b>	66,354
<b>Current liabilities</b>			
Trade and other payables	9	<b>15,074</b>	42,532
Current portion of interest-bearing borrowings		—	8,800
Current portion of obligations under finance leases		—	1,813
		<b>15,074</b>	53,145
Liabilities associated with non-current assets classified as held for sale		—	2,093
		<b>15,074</b>	55,238
<b>Net current assets</b>		<b>247,479</b>	11,116
<b>Total assets less current liabilities</b>		<b>247,634</b>	71,415
<b>Non-current liabilities</b>			
Long-term obligations under finance leases		—	1,801
		—	1,801
<b>NET ASSETS</b>		<b>247,634</b>	69,614
<b>Capital and reserves</b>			
Share capital		<b>156,456</b>	19,536
Reserves		<b>91,178</b>	48,616
<b>Equity attributable to equity holders of the Company</b>		<b>247,634</b>	68,152
Minority interests		—	1,462
<b>TOTAL EQUITY</b>		<b>247,634</b>	69,614

Notes:

## 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. These financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and 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 previous year except for the adoption of HKAS 1 (Amendment) Capital Disclosures and HKFRS 7 Financial Instruments - Disclosures. The adoption of these standards has had no material financial impact on the Group’s results and financial position in the current and prior accounting periods.

## 2. Turnover and revenue

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

	<b>2007</b> <i>HK\$’000</i>	2006 <i>HK\$’000</i>
Continuing operations	<b>132,987</b>	130,085
Discontinued operation	—	2,547
	<b><u>132,987</u></b>	<b><u>132,632</u></b>

## 3. Segment information

Segment information is presented in respect of the Group’s business and geographical segments. Business segments information is chosen as the primary reporting format because it is more relevant to the Group’s internal financial reporting.

### *Business segments*

The business segments of the Group comprise (a) toy products trading and manufacturing; (b) securities trading and investments; and (c) consumer products trading and manufacturing (discontinued in the year ended 31 December 2006).

For the year ended 31 December 2007

	Continuing operations		
	Toy products trading and manufacturing <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>			
Revenue from external customers	132,987	—	132,987
<b>Segment results</b>	<b>(14,343)</b>	<b>(746)</b>	<b>(15,089)</b>
Unallocated other income			1,177
Unallocated operating expenses			(11,801)
Loss on assignment of an amount due from a subsidiary upon disposal			(68,559)
Gain on disposal of subsidiaries			20,413
Finance costs			(940)
<b>Loss before taxation</b>			<b>(74,799)</b>
Taxation			(171)
<b>Loss for the year</b>			<b>(74,970)</b>

For the year ended 31 December 2006

	Continuing operations			Discontinued operation	Consolidated <i>HK\$'000</i>
	Toy products trading and manufacturing <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Total <i>HK\$'000</i>	Consumer products trading and manufacturing <i>HK\$'000</i>	
<b>Turnover</b>					
Revenue from external customers	130,085	—	130,085	2,547	132,632
<b>Segment results</b>	<b>(26,285)</b>	<b>(18)</b>	(26,303)	(423)	(26,726)
Unallocated other income			113	—	113
Unallocated operating expenses			(9,269)	—	(9,269)
Gain on disposal of subsidiaries			—	355	355
Finance costs			(930)	—	(930)
<b>Loss before taxation</b>			(36,389)	(68)	(36,457)
Taxation			(76)	—	(76)
<b>Loss for the year</b>			<b>(36,465)</b>	<b>(68)</b>	<b>(36,533)</b>

### *Geographical segments*

An analysis of the Group's turnover by geographical segments is as follows:—

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Japan	84,570	52,623
People's Republic of China	22,043	32,426
Hong Kong	11,081	35,531
Canada	7,589	—
Europe	2,376	4,408
Taiwan	2,304	4,915
Singapore	1,631	1,834
Others	1,393	895
	<u>132,987</u>	<u>132,632</u>

#### 4. Loss before taxation

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before taxation is arrived at after charging (crediting):		
<b>(a) Finance costs</b>		
Interest on bank loans and other borrowings wholly repayable within five years	314	543
Finance charges on obligations under finance leases	94	387
Interest on convertible notes	532	—
Total interest expenses on financial liabilities at amortised cost	<u>940</u>	<u>930</u>
<b>(b) Other items</b>		
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	9,144	17,444
Share-based payment in respect of share options granted	1,369	1,868
Contribution to defined contribution plans	135	2,362
	<u>10,648</u>	<u>21,674</u>
Cost of inventories	127,924	131,923
Auditors' remuneration	475	897
Depreciation on property, plant and equipment	1,901	5,336
Amortization on prepaid lease payments	63	182
Provision for obsolete inventories	—	1,516
Provision for impairment losses		
Goodwill (included in other expenses)	4,201	1,136
Trade receivables (included in administrative expenses)	—	1,451
Loss on change in fair value of financial assets at fair value through profit or loss (included in other expenses)	1,218	—
Net exchange losses	1,834	152
Loss on disposal of property, plant and equipment	62	42
Operating lease payments for premises	<u>185</u>	<u>463</u>

## 5. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the Group's estimated assessable profits arising from Hong Kong during the year.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax		
Hong Kong	—	59
Under provision in prior years	<u>171</u>	<u>17</u>
Tax charge for the year	<u><u>171</u></u>	<u><u>76</u></u>

## 6. Dividends

The Board does not recommend payment of final dividend for the year ended 31 December 2007 (2006: nil).

## 7. Loss per share

(a) For continuing and discontinued operations

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

### Loss

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the Company for the purpose of basic loss per share	<u><u>(73,579)</u></u>	<u><u>(36,610)</u></u>

### Number of shares

	Number of shares '000	Number of shares '000 <i>(restated)</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u><u>2,230,179</u></u>	<u><u>1,161,941</u></u>

*Note:* The number of shares in 2007 and 2006 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 and the rights issue on the basis of three rights shares for every one share, which became effective on 6 March 2007 and 13 December 2007 respectively.

Diluted loss per share for the years ended 31 December 2007 and 2006 have not been presented because the impact of the exercise of share options and conversion of convertible notes were anti-dilutive.

(b) For continuing operations

The calculation of the basic loss per share from continuing operations attributable to the equity holders of the Company is based on the following data:

**Loss**

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the Company	<b>(73,579)</b>	(36,610)
Adjust:		
Loss for the year from discontinued operation	<u>—</u>	<u>67</u>
Loss for the purpose of basic loss per share from continuing operations	<u><b>(73,579)</b></u>	<u>(36,543)</u>

The denominators used are the same as those detailed above for basic loss per share.

Diluted loss per share from continuing operations for the years ended 31 December 2007 and 2006 have not been presented because the impact of the exercise of share options and conversion of convertible notes were anti-dilutive.

(c) For discontinued operation

Basic and diluted loss per share for the discontinued operation is not applicable for the year ended 31 December 2007.

Basic loss per share for the discontinued operation is HK0.01 cent per share for the year ended 31 December 2006 and diluted loss per share for the discontinued operation is not applicable for 2006, based on the loss for the year ended 31 December 2006 from the discontinued operation of HK\$67,000 and the denominator detailed above for the basic loss per share.

**8. Trade and other receivables**

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables	<b>8,895</b>	23,006
Deposits, prepayments and other receivables	<u><b>6,651</b></u>	<u>9,642</u>
	<u><b>15,546</b></u>	<u>32,648</u>

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:

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 to 60 days	7,374	10,851
61 to 90 days	535	3,803
Over 90 days	986	8,352
	<u>8,895</u>	<u>23,006</u>

**9. Trade and other payables**

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<b>Trade payables</b>	<u>3,900</u>	<u>20,099</u>
<b>Other payables</b>		
Accrued charges and other creditors	11,174	17,606
Due to related companies	—	4,827
	<u>11,174</u>	<u>22,433</u>
	<u>15,074</u>	<u>42,532</u>

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 to 60 days	3,900	5,540
61 to 90 days	—	836
Over 90 days	—	13,723
	<u>3,900</u>	<u>20,099</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Operation Review

After the discontinuation of the secondary consumer products business in year 2006, the Company made headway in the streamlining process by disposing its idle assets and underperformed manufacturing operation during the year under review. The disposals caused the Group suffering from notable loss and substantial downsizing. Nevertheless, such decisive moves relieved the Group's financial and management resources from those detrimental businesses to more viable operations.

Despite that a significant part of assets was discarded in the first half of the year, the Group still maintained to record a turnover of HK\$133.0 million for its toy segment in this year, being a marginal increase of 2.2% when compared with last year. However, competition in toy industry is getting more intensive and, in order to sustain market share, margin is unavoidably weakened. The persistent appreciation of Renminbi and increasing operation cost in mainland China that hampering the Group's suppliers have causal adverse impact on the Group's cost of supply. Loss for the toy segment in the year under review was HK\$14.3 million.

The Group ceased to have any contribution from the disposed consumer products business in the year under review but it reactivated, in November 2007, the inactive securities trading and investments business. Since the securities market is becoming volatile, the Group is very cautious in its investing strategy and the market value of its portfolio was kept at HK\$11.3 million only as at 31 December 2007. The Group recorded a mild loss of HK\$0.7 million from this segment for the year, mainly attributable to the decrease in the fair value of the marketable securities.

#### *Material disposal of subsidiaries*

##### Good Prosper Trading Limited

The Company entered into an agreement in November 2006 to dispose of its entire equity interest in and the amount due from Good Prosper Trading Limited ("GPTL"), the principal assets of which are the land use rights in respect of parcels of adjacent lands situated at Boluo, Huizhou and the infrastructure erected thereon ("GPTL Disposal") to an independent third party, Sky Hawk International Limited ("Sky Hawk"), for an aggregate consideration of HK\$20.0 million. HK\$2.0 million was paid by Sky Hawk upon signing of the agreement and the balance would be settled on completion.

At the request of Sky Hawk, the payment terms for the outstanding consideration of HK\$18.0 million were revised pursuant to a supplemental agreement entered into between the Company and Sky Hawk. According to the supplemental agreement, Sky Hawk paid a further sum of HK\$2.0 million and delivered to the Company a promissory note with a principal amount of HK\$16.0 million, which was interest-free, due on 31 December 2007 and secured by the entire issued share capital of GPTL on 28 June 2007, the completion date of GPTL Disposal. The deferred consideration was fully settled in accordance with the terms of the promissory note.

As a result of GPTL Disposal, the Group recorded a gain on disposal of subsidiaries of approximately HK\$5.0 million.

## GFT Holding Limited

On 16 April 2007, Prosper Overseas Limited, a wholly owned subsidiary of the Company, entered into an agreement to dispose its entire interest in and amounts due from GFT Holding Limited and its subsidiaries (the “Disposed Group”), a sub-group of the Company engaged in toy manufacturing at Boluo, Huizhou and toy trading, to a company beneficially owned by Mr. Leung Wai Ho and Mr. Wong Chung Shun, both were the former directors and substantial shareholders of the Company, at an aggregate consideration of HK\$2.0 (“GFT Disposal”).

GFT Disposal constituted a major disposal and connected transaction for the Company under the Listing Rules and was approved by the independent shareholders of the Company in a special general meeting held on 28 May 2007.

Completion of GFT Disposal took place on 28 June 2007, upon which the obligations of the Company as a corporate guarantor under the banking facilities granted to the Disposal Group has been released by the bank and the Company ceased its operation in manufacturing of toy products. As a result of GFT Disposal, the Group recorded a gain on disposal of subsidiaries of approximately HK\$15.4 million and wrote off an amount due from a subsidiary in approximately HK\$68.6 million.

### **Prospects**

It is the Company’s primary ambition to seek prosperous and lucrative investments that will benefit the Group, especially after GPTL Disposal and GFT Disposal and the prevailing market conditions indicate that toy industry players are inevitably facing with difficult years. The Company, with fund raised from the placements and the rights issue executed in year 2007, is relatively sufficient in resources and is ready to make the critical move when the opportunities emerge.

However, the worldwide securities and capital markets step into downturn and become vulnerable after the peak at October 2007. Investment sentiment is shaky and hence the directors are paying extra caution on the Group’s activity in securities investment and the identification of new investments / business for future expansion. No matter how difficult the situation is, the directors are ready to dedicate and work in utmost good faith for enhancing the betterment and value of the Group.

### **Financial Review**

#### *Review of Results*

The Group reported a turnover of HK\$133.0 million for the year ended 31 December 2007, being a marginal increment of HK\$2.9 million or 2.2% when compared with last year. Gross profit increased by HK\$2.8 million from HK\$0.2 million for last year to HK\$3.0 million, mainly due to the fact that the Group ceased to bear the fixed cost incurred by the underutilized manufacturing plant after its disposal in the first half of the year. For the same reason, operation expenses of the Group declined during the year under review.

Despite that gain on disposal of subsidiaries of HK\$20.4 million was recognized from the disposals discussed above, the Group, on the other side, has to write off amount due from disposed subsidiary in HK\$68.6 million, which largely explained the substantial loss for the year incurred by the Group in HK\$75.0 million.

## *Capital Structure*

On 23 July 2007, the Company issued convertible notes in an aggregate principal amount of HK\$34.0 million to finance the working capital and future expansion of the Group. The convertible notes were non-interest bearing, would be matured on 23 July 2009 and were convertible into shares of the Company at conversion price of HK\$0.10 per share (subject to anti-dilutive adjustments). All the convertible notes were converted during the year and 340,000,000 new shares of the Company were issued and allotted. The Group has no debt capital as at 31 December 2007.

## *Liquidity and Financial Resources*

The Group has no borrowings as at 31 December 2007. As at 31 December 2006, total borrowings of the Group amounted to HK\$12.4 million, of which HK\$10.6 million was repayable within one year.

The Group maintained sufficient working capital as at 31 December 2007 with net current assets of HK\$247.5 million (31 December 2006: HK\$11.1 million) and bank balances and cash of HK\$235.4 million (31 December 2006: HK\$7.1 million). As the Group has no borrowing as at 31 December 2007, gearing ratio, expressed as the percentage of total borrowings over total equity, of the Group was zero (31 December 2006: 17.8%).

## *Charges on Assets*

As at 31 December 2007, certain financial assets and bank deposits in HK\$19.1 million were pledged to a bank to secure banking facilities of US\$7.0 million, of which no bank loan has ever been drawn. As at 31 December 2006, certain building, land use right and plant and machinery with carrying value of HK\$38.0 million, HK\$3.4 million and HK\$4.8 million respectively were pledged to banks to secure banks loans and finance leases granted to the Group.

## **Post Balance Sheet Events**

On 3 October 2007, the Company entered into a conditional placing agreement (as amended by a supplemental agreement dated 9 October 2007, the “Placing Agreement”) whereby the placing agent agreed to place on a best effort basis convertible bonds with aggregate principal amount of up to HK\$300 million to be issued by the Company (the “Convertible Bonds”). The Convertible Bonds would bear interest at 4% per annum, mature on the second anniversary of the issue date and entitle the holders to convert the principal amount into shares of the Company at an initial conversion price of HK\$0.041 per share. The Placing Agreement, among others, was approved by the shareholders of the Company at a special general meeting held on 23 November 2007.

However, because of changes in market conditions after the approval, certain conditions set out in the Placing Agreement have not been fulfilled before the long stop date and the Placing Agreement has thus automatically lapsed on 21 February 2008.

## **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 2007 except for the deviation from Code A.4.1 of the CG Code that none of the 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 Board 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.

### **Review of the Results**

The audit committee of the Company has reviewed with the management the accounting principles 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 2007.

By Order of the Board  
**GFT Holdings Limited**  
**Ha Kee Choy, Eugene**  
*Executive Director*

Hong Kong, 21 April 2008

*As at the date of this announcement, the Board comprises Mr. Ha Kee Choy, Eugene and Ms. Ma Wai Man, Catherine as executive directors and Mr. Cheng Yuk Wo, Mr. Chui Chi Yun, Robert and Ms. Leung Sau Fan, Sylvia as independent non-executive directors.*