THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in GFT Holdings Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is addressed to the shareholders of the Company for information in connection with the special general meeting of the Company to be held on 23 November 2007. **This circular is not an offer of, nor is it intended to invite offers for, securities of the Company.**

GFT HOLDINGS LIMITED

真樂發控股有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 1003)

PLACING OF CONVERTIBLE BONDS AND RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY EXISTING SHARE HELD

Financial Adviser

結好融資有限公司
GET NICE CAPITAL LIMITED

Underwriter of the Rights Issue

結好投資有限公司
GET NICE INVESTMENT LIMITED

Independent Financial Adviser to the Independent Board Committee and the Shareholders

MENLO CAPITAL

Menlo Capital Limited

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 16 November 2007. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 28 November 2007 to Wednesday, 5 December 2007 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the Shares or nil-paid Rights Shares during the period from Wednesday, 28 November 2007 to Wednesday, 5 December 2007 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

If at any time at or before 4:00 p.m. on the second Business Day following the Acceptance Date: (i) any of the following events occurs which would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or otherwise make it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue : (a) the introduction of any new law or regulation or any change in existing law or regulation or any material change in the judicial interpretation or application thereof or other occurrence of any nature whatsoever; or (b) occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event of change in relation to or a development of an existing state of affairs) of a political, military, financial, regulatory, economic, currency or other nature (whether or not ejusdem generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict) resulting in a material adverse change in, or which might reasonably be expected to result in a material adverse change in political, economic or stock market conditions; or (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or (d) a change or development involving a prospective material change in taxation in any jurisdiction or the implementation of exchange controls in any jurisdiction; or (e) the occurrence of any material change in market conditions, taxation or exchange control or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities); or (f) any material and adverse change in the conditions of local, national or international securities markets; or (ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement or shall otherwise become aware of the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or (iii) any change occurs in the circumstances of any member of the Group which would materially and adversely affect the business, financial or trading position or prospects of the Group as a whole; or (iv) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission would have a material and adverse effect on the business, financial or trading position of the Group as a whole; or (v) there is an occurrence of any event, or series of events, beyond the control of the Underwriter (including, without limitation, acts of government, strike, lock-outs, fire, explosion, flooding, civil commotion, acts of war or acts of God) which, in the reasonable opinion of the Underwriter, has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Rights Issue or pursuant to the underwriting thereof, then and, in such case, the Underwriter may, by notice in writing given to the Company at or before 4:00 p.m. on the second Business Day after the Acceptance Date, rescind the Underwriting Agreement. **If the Underwriting Agreement is terminated, the Rights Issue will not proceed.**

A letter of advice from Menlo Capital Limited, the independent financial adviser to the Independent Board Committee and the Shareholders is set out on pages 29 to 41 of this circular.

A notice convening a special general meeting of the Company to be held at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong at 10:00. a.m. on Friday, 23 November 2007 is set out on pages 129 to 131 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

1 November 2007

** for identification purpose only*

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

	2007
Despatch of Circular with notice of the SGM	Thursday, 1 November
Last day of dealings in Shares on a cum-rights basis	Thursday, 15 November
First day of dealings in Shares on an ex-rights basis	Friday, 16 November
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 19 November
Book closure period (both days inclusive)	from Tuesday, 20 November to Friday, 23 November
Latest time for return of proxy form for the SGM	10:00 a.m. on Wednesday, 21 November
SGM	10:00 a.m. on Friday, 23 November
Record Date	Friday, 23 November
Announcement of results of the SGM	Friday, 23 November
Register of members reopens	Monday, 26 November
Prospectus Documents expected to be despatched on	Monday, 26 November
First day of dealings in nil-paid Rights Shares	Wednesday, 28 November
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Friday, 30 November
Last day of dealings in nil-paid Rights Shares	Wednesday, 5 December
Latest time for acceptance of and payment for Rights Shares	4:00 p.m. on Monday, 10 December
Rights Issue expected to become unconditional on or before	4:00 p.m. on Wednesday, 12 December
Announcement of results of the Rights Issue	Thursday, 13 December
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before	Thursday, 13 December
Certificates for fully-paid Rights Shares expected to be despatched on or before	Thursday, 13 December
Dealings in fully-paid Rights Shares expected to commence on	Monday, 17 December

Dates or deadlines specified above for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by the Company. Any change to the anticipated timetable for the Rights Issue will be published as and when appropriate.

All times and dates in this circular refer to Hong Kong local times and dates.

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"Acceptance Date"	latest day for acceptance of and payment for the Rights Shares
"Announcement"	the announcement of the Company dated 10 October 2007 relating to, inter alia, the Placing and the Rights Issue
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a full day (other than a Saturday and Sunday) on which banks are generally open for business in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	this circular to be despatched to the Shareholders in relation to the Placing and the Rights Issue, in such form as may be agreed by the Company and the Underwriter
"Company"	GFT Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Conversion Shares"	new Shares which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds
"Convertible Bonds"	4% convertible bonds in an aggregate principal amount of HK$300 million proposed to be issued by the Company pursuant to the Placing Agreement
"Convertible Notes 2009"	the interest free convertible notes of principal amount of HK$24 million due on 23 July 2009 and carrying right to convert the outstanding principal amount into Shares at a conversion price of HK$0.10 per Share (subject to adjustment), which is outstanding as at the Latest Practicable Date
"Director(s)"	the director(s) of the Company
"EAF(s)"	the excess application form(s) to be issued in connection with the Rights Issue

"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent board committee comprising the three independent non-executive directors, namely Mr. Cheng Yuk Wo, Mr. Chui Chi Yun, Robert and Mr. Lai Wing Leung, Peter, which has been established for the purpose of advising the Shareholders regarding the Rights Issue
"Initial Conversion Price"	the initial conversion price of HK$0.041 per Share (subject to adjustment under the terms of the Convertible Bonds)
"Issue Date"	the date of the first issue of the Convertible Bonds
"Last Trading Day"	3 October 2007, the last trading day immediately preceding the release of the Announcement
"Latest Practicable Date"	29 October 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Menlo Capital"	Menlo Capital Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO, which is not a connected person (as defined in the Listing Rules) of the Company and is appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Rights Issue
"Maturity Date"	the second anniversary of the Issue Date
"Non-Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on the register of members of the Company on the Record Date is (are) outside Hong Kong where the Directors, based on the legal opinions provided by legal advisers, consider it necessary or expedient to exclude any such Shareholder on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place

"PAL(s)"	the provisional allotment letter(s) to be issued in connection with the Rights Issue
"Placee(s)"	any individual, institutional or other professional investor(s) procured by the Underwriter to subscribe for the Convertible Bonds pursuant to the Underwriter's obligation under the Placing Agreement
"Placing"	the placing of Convertible Bonds in the principal amount of HK$300 million pursuant to the Placing Agreement
"Placing Agreement"	the conditional convertible bonds placing agreement dated 3 October 2007 (as amended by a supplemental agreement dated 9 October 2007) entered into between the Company and the Underwriter in relation to the Placing, subject to the terms and conditions contained therein
"PRC"	the People's Republic of China
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	23 November 2007, the record date by which entitlements to the Rights Issue will be determined
"Registrar"	Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"Rights Issue"	the issue of Rights Shares at a price of HK$0.038 per Rights Share
"Rights Shares"	not less than 3,973,672,800 new Shares (assuming no conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date) and not more than 4,693,672,800 new Shares (assuming all conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date) to be issued under the Rights Issue

"SFO"	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and approve, among others, the Placing and the Rights Issue
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	share(s) of HK$0.025 each in the existing capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underwriter"	Get Nice Investment Limited, a corporation deemed licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management), which is not a connected person (as defined in the Listing Rules) of the Company
"Underwriting Agreement"	the underwriting agreement dated 3 October 2007 (as amended by a supplemental agreement dated 9 October 2007) entered into between the Company and the Underwriter in relation to the Rights Issue
"Underwritten Shares"	not less than 3,973,672,800 Rights Shares (assuming no conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date) and not more than 4,693,672,800 Rights Shares (assuming all conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date)
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%" or "per cent."	percentage or per centum

GFT HOLDINGS LIMITED
真樂發控股有限公司*
(incorporated in Bermuda with limited liability)
(stock code: 1003)

Executive Directors:
Mr. Ha Kee Choy, Eugene
Ms. Ma Wai Man, Catherine

Independent Non-executive Directors:
Mr. Cheng Yuk Wo
Mr. Chui Chi Yun, Robert
Mr. Lai Wing Leung, Peter

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
Unit 707, Tower II, Admiralty Centre
18 Harcourt Road
Hong Kong

1 November 2007

To the Shareholders

Dear Sir or Madam,

**(I) PLACING OF CONVERTIBLE BONDS
AND
(II) RIGHTS ISSUE
ON THE BASIS OF THREE RIGHTS SHARES
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE
BY QUALIFYING SHAREHOLDERS
PAYABLE IN FULL ON APPLICATION**

INTRODUCTION

On 10 October 2007, the Board announced that the Company proposed to raise (i) a net proceeds of approximately HK$292.1 million pursuant to the Placing; and (ii) not less than approximately HK$151 million before expenses (assuming none of the conversion rights attached to the Convertible Notes 2009 is exercised on or before the Record Date) and not more than approximately HK$178.36 million before expenses (assuming all conversion rights attached to the Convertible Notes 2009 are exercised on or before the Record Date) by way of the Rights Issue of not less than 3,973,672,800 Rights Shares and not more than 4,693,672,800 Rights Shares at a price of HK$0.038 per Rights Share on the basis of three Rights Shares for every one existing Share held on the Record Date.

** for identification purpose only*

Pursuant to the requirements of Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on the approval by the Shareholders at the SGM where the controlling Shareholder, or in the case that the Company has no controlling Shareholders, the Directors and the chief executive of the Company are required to abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates held any Share. Accordingly, no Shareholder will be required to abstain from voting on the resolution to approve the Rights Issue at the SGM. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Shareholders at the SGM to approve the Rights Issue must be taken on a poll.

Subject to the Rights Issue being approved at the SGM, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

The Independent Board Committee has been formed to advise the Shareholders in respect of the Rights Issue and Menlo Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

The purpose of this circular is to provide you, among others, (i) further information about the Placing and details of the Rights Issue; (ii) the advice of Menlo Capital to the Independent Board Committee and the Shareholders in relation to the Rights Issue; (iii) the recommendation of the Independent Board Committee to the Shareholders in relation to the Rights Issue; and (iv) a notice of the SGM at which resolutions will be proposed to consider and, if though fit, to approve the Placing and the Rights Issue.

PLACING AGREEMENT

Date: 3 October 2007 (as amended by a supplemental agreement dated 9 October 2007)

Parties: The Company as the issuer; and
The Underwriter as the placing agent.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiry, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Conversion Price

The Initial Conversion Price of HK$0.041 per Share was arrived at after arm's length negotiation between the Underwriter and the Company and represents (i) a discount of approximately 58.59% of the closing price of HK$0.099 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 60.19% to the average closing price of HK$0.103 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day; and (iii) a discount of approximately 60.95% of the closing price of HK$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Initial Conversion Price will be subject to adjustment, the details of which are summarised in the "Terms of the Convertible Bonds" of this Circular.

The Directors (including the independent non-executive Directors) consider that the terms of the Convertible Bonds, including the Initial Conversion Price, are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

The Underwriter will receive a placing commission of 2.5% on the gross proceeds from the Placing. The abovementioned commission will be payable by the Company upon completion of the Placing. The placing commission was arrived at after arm's length negotiation between the Company and the Underwriter.

Conversion Shares

Assuming full conversion of the Convertible Bonds at the Initial Conversion Price, the Convertible Bonds will be convertible into 7,317,073,170 Shares, representing approximately 552.42% of the existing issued share capital of the Company and approximately 84.67% of the enlarged issued share capital of the Company as enlarged by the issue of the Conversion Shares upon conversion of the Convertible Bonds in full.

Placees

It is expected that the Underwriter will procure, on a best effort basis, no less than six Placees to subscribe the Convertible Bonds by cash. All the Placees and their respective ultimate beneficial owners will be third parties independent of the Company and its connected persons (as defined in the Listing Rules). According to the terms of the Placing Agreement, the Underwriter has agreed that the Placing will not result in any Placee becoming a substantial shareholder of the Company upon conversion of the Convertible Bonds. The Underwriter shall not take up any Convertible Bonds in the Placing in any event.

Conditions of the Placing

Completion of the Placing is conditional upon:

(a) the Listing Committee having granted approval for (either unconditionally or subject only to conditions to which neither the Company and the Underwriter will reasonably object) the listing of and permission to deal in the Conversion Shares;

(b) the Bermuda Monetary Authority having given its consent on the issue of the Convertible Bonds and the issue of the Conversion Shares (if required);

(c) the passing by Shareholders in the SGM of a resolution to approve the Placing Agreement and the issue of the Convertible Bonds and the Conversion Shares thereunder in accordance with the Listing Rules; and

(d) the Company having entered into a binding memorandum of understanding, heads of agreement or definitive agreement concerning an investment, joint venture or acquisition which constitutes a notifiable transaction under the Listing Rules.

If any of the above conditions, which cannot be waived by either parties to the Placing Agreement, have not been fulfilled within 90 days from the date of the SGM (or such later date as the Company and the Underwriter may agree), the Placing Agreement shall lapse and become null and void and the parties will automatically be released from all obligations thereunder, save for any liability arising out of antecedent breaches.

Application will be made by the Company to the Listing Committee for the grant of the listing of and permission to deal in the Conversion Shares.

Completion

Completion of Convertible Bonds to be placed on a best effort basis shall take place within three Business Days upon the fulfillment of the conditions of the Placing (or such other date as the parties may agree).

Termination of the Placing Agreement

Notwithstanding anything contained in the Placing Agreement, if, at any time prior to 9:00 a.m. on the date of the completion of the Placing, in the reasonable opinion of the Underwriter the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

(i) any material breach of any of the representations and warranties set out in the Placing Agreement; or

(ii) any of the following events:

  (a) the introduction of any new law or regulation or any change in existing laws of regulations or change in the interpretation or application thereof; or

  (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a potential, military, industrial, financial, economic or other nature, whether or not ejusdem generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or

  (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive Business Days, save for any suspension for clearance of the Announcement or circular in relation to the Convertible Bonds; or

(d) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective Shareholders in their capacity as such; or

(e) any change or deterioration in the conditions of local, national or international securities market occurs,

then and in any such case, the Underwriter may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 a.m. on the date of the completion of Placing.

In the event that the Underwriter terminates the Placing Agreement pursuant to the abovementioned clause, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party to the Placing Agreement shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

Terms of the Convertible Bonds

The principal terms of the Convertible Bonds are arrived after arm's length negotiation between the Company and the Underwriter and are summarised as follows:

Principal amount	:	HK$300,000,000.00
Initial Conversion Price	:	HK$0.041 per Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.
Interest rate:	:	4% per annum.
Maturity	:	The second anniversary of the Issue Date.
Redemption	:	Unless previously converted in accordance with the terms and conditions of the Convertible Bonds, the Company will redeem each Convertible Bond on the Maturity Date at the redemption amount which is 100% of the principal amount of Convertible Bonds outstanding.
Transferability	:	The Convertible Bonds are not transferable without the prior written consent of the Company, except by a transfer to subsidiaries or the holding company of the holders of the Convertible Bonds. The Convertible Bonds may not be transferred by the holder of the Convertible Bonds, without the prior written consent of the Company, to any connected person (as defined under the Listing Rules) of the Company.

Conversion period	:	The holders of the Convertible Bonds shall have the right to convert on any Business Day at any time following the date of issue of the Convertible Bonds until the date 7 days before (and excluding) the Maturity Date, the whole or any part (in an amount or integral multiple of HK$500,000) of the outstanding principal amount of the Convertible Bonds into Shares at the then prevailing conversion price.
Voting	:	The holders of the Convertible Bonds will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Bonds.
Listing	:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Bonds.
Ranking	:	The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Bonds will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Bonds.

RIGHTS ISSUE

Issue statistics

Basis of Rights Issue	:	three Rights Shares for every one existing Share held on the Record Date
Number of Shares in issue	:	1,324,557,600 Shares as at the Latest Practicable Date (or 1,564,557,600 Shares upon full exercise of the conversion right by the holders of the Convertible Notes 2009 on or before the Record Date) (Note)
Number of Rights Shares	:	Not less than 3,973,672,800 Rights Shares (assuming no conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date) and not more than 4,693,672,800 Rights Shares (assuming all conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date)
Subscription Price	:	HK$0.038 per Rights Share

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 300% of the Company's issued share capital as at the Latest Practicable Date and approximately 75% of the Company's enlarged issued share capital of the Company immediately following the completion of the Rights Shares, assuming that none of the conversion rights of the Convertible Notes 2009 are exercised on or before the completion of the Rights Issue.

Note:

As at the Latest Practicable Date, a principal amount of HK$24,000,000.00 of the Convertible Notes 2009 was outstanding and carrying right to convert the outstanding principal amount into 240,000,000 Shares at a conversion price of HK$0.10 per Share (subject to adjustment). Save for the above, the Company has no derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

The Placing and the Rights Issue are not inter-conditional. As the issue of the Convertible Bonds is conditional, among others, the approval of the Placing by the Shareholders at the SGM which is after the closure of the register of members of the Company for the purpose of the Rights Issue, the holders of the Convertible Bonds are not entitled to the Rights Issue.

Qualifying Shareholders

The Company will send the Prospectus, the PALs and EAFs to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must on the Record Date:

(i) be registered as a member of the Company; and

(ii) not be a Non-Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfer of Shares (together with the relevant share certificate(s)) with the Registrar, by 4:30 p.m. (Hong Kong time) on 19 November 2007.

Closure of Register of members

The register of members of the Company will be closed from 20 November 2007 to 23 November 2007, both days inclusive. No transfer of Shares will be registered during this period.

TERMS OF THE RIGHTS ISSUE

Subscription price

HK$0.038 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for Rights Shares.

The subscription price of HK$0.038 per Rights Share was arrived at after arm's length negotiations between the Company and the Underwriter with reference to recent closing prices of the Shares on the Stock Exchange and represents:

(i) a discount of approximately 61.62% to the closing price of HK$0.099 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 63.11% to the average closing price of the Shares of approximately HK$0.103 for last 5 trading days up to and including the Last Trading Day;

(iii) a discount of approximately 28.64% to the theoretical ex-rights price of HK$0.05325 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and

(iv) a discount of approximately 63.81% to the closing price of HK$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors (including the independent non-executive Directors) consider that the discount of the subscription price of the Rights Share is reasonable on the basis that the terms of the Rights Issue (including the price) are arrived at after arms-length negotiation with the Underwriter and should achieve the objective of encouraging existing Shareholders to take up their entitlements, so as to share in the potential growth of the Company.

Basis of provisional allotments

The basis of provisional allotment shall be three Rights Shares for every one existing Share held by a Qualifying Shareholder on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

When fully paid, issued and allotted, the fully-paid Rights Shares will rank pari passu in all respects with the existing Shares. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares.

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Rights of Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda. If there are any Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong as at the Record Date, the Company will comply with all necessary requirements under Rule 13.36(2) of the Listing Rules and will only exclude the Non-Qualifying Shareholders from the Rights Issue after making enquiry regarding the legal restrictions under the laws of the relevant places. The Directors consider that (i) if based on legal opinions provided by the legal advisers, it is necessary or expedient not to offer the Rights Shares to any particular Shareholder on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Non-Qualifying Shareholders; or (ii) if the legal opinions provided by the legal advisers do not support the statement in paragraph (i) above, the Rights Shares will be offered to such particular Shareholder. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus to the Non-Qualifying Shareholders (if any) for their information only. The Company will not send PALs and EAFs to the Non-Qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Non-Qualifying Shareholders there may be, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK$100 or more will be paid to the Non-Qualifying Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK$100.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be achieved, and the Company will retain the proceeds from such sale(s). Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements, and any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares).

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary document with the Registrar for completion of the relevant registration by 4:30 p.m. on 19 November 2007.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 13 December 2007. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 13 December 2007 by ordinary post to the applicants at their own risk.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Monday, 17 December 2007.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS. You should seek the advice of your licensed securities dealer or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

Taxation

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date	:	3 October 2007 (as amended by a supplemental agreement dated 9 October 2007)
Parties	:	the Company and the Underwriter
Number of Rights Shares underwritten	:	Not less than 3,973,672,800 Rights Shares (assuming no conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date) and not more than 4,693,672,800 Rights Shares (assuming all conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date)
Commission	:	2.5% of the subscription price for the Underwritten Shares, the Directors consider that such rate is fair and reasonable and was determined after arm's length negotiations between the Company and the Underwriter

Termination of the Underwriting Agreement

If at any time at or before 4:00 p.m. on the second Business Day following the Acceptance Date:

(i) any of the following events occurs which would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or otherwise make it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue :

(a) the introduction of any new law or regulation or any change in existing law or regulation or any material change in the judicial interpretation or application thereof or other occurrence of any nature whatsoever; or

(b) occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event of change in relation to or a development of an existing state of affairs) of a political, military, financial, regulatory, economic, currency or other nature (whether or not ejusdem generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict) resulting in a material adverse change in, or which might reasonably be expected to result in a material adverse change in political, economic or stock market conditions; or

(c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or

(d) a change or development involving a prospective material change in taxation in any jurisdiction or the implementation of exchange controls in any jurisdiction; or

(e) the occurrence of any material change in market conditions, taxation or exchange control or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities); or

(f) any material and adverse change in the conditions of local, national or international securities markets; or

(ii) the Underwriter shall receive notification pursuant to the Underwriting Agreement or shall otherwise become aware of the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

(iii) any change occurs in the circumstances of any member of the Group which would materially and adversely affect the business, financial or trading position or prospects of the Group as a whole; or

(iv) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission would have a material and adverse effect on the business, financial or trading position of the Group as a whole; or

(v) there is an occurrence of any event, or series of events, beyond the control of the Underwriter (including, without limitation, acts of government, strike, lock-outs, fire, explosion, flooding, civil commotion, acts of war or acts of God) which, in the reasonable opinion of the Underwriter, has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Rights Issue or pursuant to the underwriting thereof,

then and, in such case, the Underwriter may, by notice in writing given to the Company at or before 4:00 p.m. on the second Business Day after the Acceptance Date, rescind the Underwriting Agreement. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon each of the following events being fulfilled:

(i) the signing by or on behalf of all of the Directors of one printed copy of each of the Prospectus Documents and the certification by any two Directors (or by their agents duly authorised in writing) of two copies of each of the Prospectus Documents;

(ii) the delivery of the signed copy by all the Directors of each of the Prospectus Documents referred to in (i) above to the Underwriter;

(iii) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of two copies of each of the Prospectus Documents each duly certified by any two Directors (or by their agents duly authorised in writing) in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;

(iv) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped "For Information Only" to the Non-Qualifying Shareholders;

(v) compliance by the Company with all its obligations under the Underwriting Agreement;

(vi) the approval of the Rights Issue by the Shareholders who are permitted to vote under the Listing Rules, the applicable laws and the bye-laws of the Company at the SGM;

(vii) the Listing Committee of the Stock Exchange (a) agreeing to grant listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriter in its absolute opinion accepts and the satisfaction of such conditions (if any) on or before the day on which dealings in the Rights Shares in their nil-paid form commence; and (b) not having been withdrawn or revoked such listing and permission before 10:00 a.m. on the settlement date as agreed;

(viii) the Bermuda Monetary Authority granting their consent to the Rights Issue and the issue of the Rights Shares (if necessary); and

(ix) the due posting of the Circular on the posting date as agreed.

In the event that the conditions of the Rights Issue are not fulfilled (or waived in whole or in part by the Underwriter) on or before the dates specified therein (or such later date or dates as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate and save in respect of costs and expenses as referred to therein.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 16 November 2007. Dealings in the Rights Shares in the nil-paid form will take place from 28 November 2007 to 5 December 2007 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled or waived (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 28 November 2007 to 5 December 2007 (both dates inclusive) will bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, investors are recommended to consult their professional advisers.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of the Announcement:

Date of announcement	Transaction	Date of completion of the transaction	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
11 October 2006	Placing of 300 million existing shares of HK$0.01 each (the "Pre-Consolidated Share(s)") and subscription of 300 million new Pre-Consolidated Shares at HK$0.04 per Pre-Consolidated Share	25 October 2006	HK$11.8 million	As general working capital of the Group	As general working capital of the Group

Date of announcement	Transaction	Date of completion of the transaction	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
26 January 2007	(1) Placing of 340 million new Shares at HK$0.10 per Share; and (2) placing of convertible notes with an aggregate principal amount of HK$34 million	Issue of (i) 220 million new Shares on 14 March 2007; (ii) 120 million new Shares on 11 April 2007; and (iii) HK$34 million convertible notes on 23 July 2007	HK$66.6 million	As to approximately HK$20 million as general working capital of the Group and as to approximately HK$46.6 million for future investment opportunities	As to approximately HK$20 million has been used for general working capital of the Group and as to the balance of approximately HK$46.6 million has not been utilized yet and placed in short-term deposits with banks pending for future investment opportunities
14 August 2007	Top-up placing of 70 million new Shares at HK$0.128 per Share	20 August 2007	HK$8.6 million	As general working capital of the Group	As to approximately HK$0.5 million has been used for general working capital of the Group and as to the balance of approximately HK$8.1 million has not been utilized and placed in short-term deposits with banks pending for future general working capital of the Group

REASONS FOR THE RIGHTS ISSUE AND THE PLACING AND USE OF THE PROCEEDS

The Company is principally engaged in the business of trading of toys, gifts and premium products and trading and investments in securities.

As set out in the interim report 2007 of the Company, the Company recorded an unaudited net loss of approximately HK$60.38 million for the six months ended 30 June 2007. Although the Directors will endeavour to improve the business operations and performance of the Group, they are actively pursuing new investments or projects for the medium to long-term growth of the Group and which will broaden the earning base of the Group for the benefits of the Company and the Shareholders as a whole.

As announced by the Company on 14 September 2007, the placing of 150,000,000 new Shares to raise a net proceeds of approximately HK$18.6 million as set out in the Company's announcement dated 14 August 2007 has been terminated.

The Directors consider that it is prudent to finance the Group's long-term growth by long term funding, preferably in the form of equity which will not increase the Group's finance costs. Furthermore, the Directors consider that it is in the interest of the Company to enlarge its capital base and improve the overall financial and cash position of the Group by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Company.

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to approximately HK$5.02 million to HK$5.71 million and are payable by the Company. The net proceeds from the Rights Issue is expected to be approximately HK$145.98 million to HK$172.65 million, which will be used by the Company as approximately HK$20 million for its general working capital and the balance of approximately HK$125.98 million to HK$152.65 million for future investment opportunities.

In order to increase the flexibility of the Group and strengthen its position in sourcing and negotiating new investments or projects, the Directors consider that the Placing of Convertible Bonds is an appropriate means of raising additional capital of the Company. Moreover, it will not have an immediate dilution effect on the shareholding of the existing Shareholders and the Directors consider that terms of the Convertible Bonds is more favourable than bank borrowing under current market conditions.

The Directors consider the terms of the Placing Agreement (including the Initial Conversion Price) are fair and reasonable and in the best interest of Shareholders and the Company as a whole.

The net proceeds from the Placing is expected to be approximately HK$292.1 million and will be used entirely by the Company for potential investments. As at the Latest Practicable Date, no specific investment has been identified by the Group.

Under Rule 14.82 of the Listing Rules, the Group shall not consist wholly or substantially of cash upon the completion of the Rights Issue and/or Placing. Upon completion of the Rights Issue and the Placing, which is expected to take place approximately two months and four months from the date of the Announcement respectively, and on the assumption that there is no acquisition or investments made by the Group during this period, (i) the percentages of cash to total assets and net assets of the Group will be approximately 84.64% and 98.61% respectively upon completion of the Rights Issue but before the Placing; and (ii) the percentages of cash to total assets and net assets of the Group will be approximately 93.05% and 249.04% respectively upon completion of the Rights Issue and the Placing. Under such circumstance, the Company will not satisfy this requirement and will not be regarded as suitable for listing.

The Directors are in the process of identifying suitable investment(s) and/or business(es) to be made and acquired so that the Company will continue to comply with Rule 14.82 of the Listing Rules. The Company will make announcement when there is any development which has adverse impact on compliance of Rule 14.82 of the Listing Rules and apply for suspension of trading in the Shares on the date of completion of the Rights Issue and/or Placing, as the case may be, if the Company cannot satisfy the requirement under the Rule 14.82 of the Listing Rules on the date of completion of the Rights Issue and/or Placing, as the case may be.

In view of the possible implication under Rule 14.82 of the Listing Rules on the Company upon the completion of the Rights Issue and/or Placing, Shareholders and investors are reminded to exercise caution when dealing in the Shares.

SHAREHOLDING OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholding of the Company following completion of the Rights Issue and the completion of the Placing, assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue save pursuant to the exercise of the conversion rights attaching to the Convertible Notes 2009 and the Convertible Bonds; (ii) the Underwriter takes up the Rights Shares to the maximum extent; and (iii) completion of the Placing after completion of the Rights Issue:

Scenario 1:

Assuming there is no conversion of the Convertible Notes 2009 on or before the Record Date

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue but before the Placing (assuming none of the conversion rights attaching to the Convertible Notes 2009 are converted into Shares)		Immediately after completion of the Rights Issue but before the Placing (assuming all the conversion rights attaching to the Convertible Notes 2009 are converted into Shares after the Record Date)		Immediately after completion of the Rights Issue and the Placing (assuming full conversion of the Convertible Bonds and assuming all conversion rights attaching to the Convertible Notes 2009 are converted into Shares after the Record Date)	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Tse Cho Tseung *(Note 1)*	141,224,000	10.66%	141,224,000	2.67%	141,224,000	2.46%	141,224,000	1.08%
The Underwriter/sub-underwriters	—	—	3,973,672,800	75.00%	3,973,672,800	69.20%	3,973,672,800	30.43%
Holders of Convertible Notes 2009 *(Note 2)*	—	—	—	—	444,444,444	7.73%	444,444,444	3.40%
Placees	—	—	—	—	—	—	7,317,073,170	56.03%
Public	1,183,333,600	89.34%	1,183,333,600	22.33%	1,183,333,600	20.61%	1,183,333,600	9.06%
	1,324,557,600	100.00%	5,298,230,400	100.00%	5,742,674,844	100.00%	13,059,748,014	100.00%

Scenario 2:

Assuming full conversion of the Convertible Notes 2009 on or before the Record Date

Shareholders	**As at the Latest Practicable Date**		**Immediately after completion of the Rights Issue but before the Placing**		**Immediately after completion of the Rights Issue and the Placing (after full conversion of the Convertible Bonds)**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Tse Cho Tseung *(Note 1)*	141,224,000	10.66%	141,224,000	2.26%	141,224,000	1.04%
The Underwriter/sub-underwriters	—	—	4,693,672,800	75.00%	4,693,672,800	34.57%
Holders of Convertible Notes 2009	—	—	240,000,000	3.83%	240,000,000	1.77%
Placees	—	—	—	—	7,317,073,170	53.90%
Public	1,183,333,600	89.34%	1,183,333,600	18.91%	1,183,333,600	8.72%
	1,324,557,600	100.00%	6,258,230,400	100.00%	13,575,303,570	100.00%

Notes:

1. The Directors have no knowledge that whether Mr. Tse Cho Tseung has any intention to take up his entitlement under the Rights Issue or apply for excess Rights Shares. This table has assumed that he will not take up his entitlement under the Rights Issue, apply for excess Rights Shares or change his existing shareholding in the Company and therefore becomes a public Shareholder immediately after the Rights Issue. If he takes up his entitlement under the Rights Issue in full, he will remain as a substantial Shareholder by his 10.66% shareholding in the Company immediately after the Rights Issue but before the Placing (assuming none of the conversion rights attaching to the Convertible Notes 2009 will be converted into Shares).

2. According to the terms of the Convertible Notes 2009, the initial conversion price of the Convertible Notes 2009 will be adjusted on the next day following the Record Date. Detail of such adjustment could be referred to the section headed "Adjustments in relation to the Convertible Bonds and Convertible Notes 2009" below.

The Underwriter has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective concert parties) will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue. Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with each other or with any Shareholders. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

As stipulated in the Underwriting Agreement, in the event that the Underwriter or any of the sub-underwriters mentioned above is required to take up the Rights Shares pursuant to their underwriting obligations, none of the Underwriter and the sub-underwriters will own 10% or more of the issue share capital of the Company immediately after the Rights Issue and the Underwriter or any of these sub-underwriters shall procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

DILUTION EFFECTS ON SHAREHOLDERS

In view of the potential dilution effect on existing Shareholders on exercise of conversion rights attaching to the Convertible Bonds, for so long as any of the Convertible Bonds are outstanding, the Company will keep shareholders informed of the level of dilution and details of conversion as follows:—

(i) the Company will make a monthly announcement (the "Monthly Announcement") on the Company's designated website at www.irasia.com/listco/hk/gft/index.htm and the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:

  (a) whether there is any conversion of the Convertible Bonds during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;

  (b) the outstanding principal amount of the Convertible Bonds after the conversion, if any;

  (c) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company;

  (d) the total issued share capital of the Company as at the commencement and the last day of the relevant month;

(ii) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will as soon as practicable make an announcement on the Company's designated website at www.irasia.com/listco/hk/gft/index.htm and the website of the Stock Exchange including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be), up to the date on which the total amount of Shares issued pursuant to the conversion amounts to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Bonds (as the case may be); and

(iii) if the Company forms the view that any issue of new Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the Convertible Bonds as mentioned in (i) and (ii) above.

ADJUSTMENTS IN RELATION TO THE CONVERTIBLE BONDS AND CONVERTIBLE NOTES 2009

The Initial Conversion Price of the Convertible Bonds has been determined by the Company and the Underwriter at the time of the entering into of the Placing Agreement after taking into account the effect of the Rights Issue. Accordingly, the Rights Issue will not lead to any adjustments to the Initial Conversion Price of the Convertible Bonds.

The Rights Issue may lead to adjustment to the conversion price and/or the number of Shares to be issued upon conversion of the Convertible Notes 2009. According to the terms of the Convertible Notes 2009, the existing conversion price of the Convertible Notes 2009 of HK$0.10 per Share will be adjusted to HK$0.054 per Share on the next day following the Record Date. Accordingly, the number of Shares to be issued upon full conversion of the outstanding HK$24,000,000.00 Convertible Notes 2009 after the Record Date based on this adjusted conversion price will be 444,444,444. The above adjustment has been confirmed by the Company's auditors in accordance with the terms of the Convertible Notes 2009 and the holders of the Convertible Notes 2009 will be informed of such adjustment as soon as practicable.

TRADING LIMITS

The Directors note that the current market price of the Shares is approaching the extremity of share as set out in Rule 13.64 of the Listing Rules. The Directors are also aware that a listed issuer is required to either change the trading method or to proceed with a consolidation of its shares in such event. It is anticipated that the price of the Shares will, as a result of the Rights Issue, further reduce and approach the extremity of HK$0.01 per Share. The Directors will consider conducting a consolidation exercise before any future fund raising by the Company.

SGM

The notice convening the SGM is set out on pages 129 to 131 of this circular. The SGM will be convened at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong at 10:00 a.m. on 23 November 2007 for the purpose of, considering and, if thought fit, to approve the Placing and the Rights Issue.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to bye-law 70 of the existing bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded:

(a) by the chairman of such meeting; or

(b) by at least three members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy entitled to vote at the meeting; or

(c) by any member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by any member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

In relation to the Rights Issue, your attention is drawn to the letter from the Independent Board Committee on page 28 and the letter from Menlo Capital set out on pages 29 to 41 of this circular. The Directors believe that the proposed resolutions in relation to the Placing and the Rights Issue are in the interest of the Shareholders as a whole and, accordingly, the Directors recommend the Shareholders to vote in favour of the aforesaid resolutions to be proposed at the SGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I to III to this circular.

Yours faithfully,
For and on behalf of
GFT Holdings Limited
Ma Wai Man, Catherine
Executive Director

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Shareholders regarding the Rights Issue:

GFT HOLDINGS LIMITED
真樂發控股有限公司*
(incorporated in Bermuda with limited liability)
(stock code: 1003)

1 November 2007

To the Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY EXISTING SHARE HELD

We refer to the circular of the Company dated 1 November 2007 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Shareholders as to whether the terms of the Rights Issue is fair and reasonable insofar as the Shareholders are concerned. Menlo Capital has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Menlo Capital as set out in its letter of advice to you and us on pages 29 to 41 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Independent Board Committee
Cheng Yuk Wo, Chui Chi Yun, Robert, Lai Wai Leung, Peter
Independent non-executive Directors

* *for identification purpose only*

The following is the text of the letter of advise, prepared for the purpose of incorporation in this circular, from Menlo Capital to the Shareholders regarding the Rights Issue:

Menlo Capital Limited
Room 06, 1st Floor, Beautiful Group Tower
77 Connaught Road Central
Hong Kong

1 November 2007

To the Independent Board Committee and
the Shareholders of GFT Holdings Limited

Dear Sirs,

PROPOSED RIGHTS ISSUE
ON THE BASIS OF THREE RIGHTS SHARES
FOR EVERY ONE EXISTING SHARE HELD

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Shareholders are concerned, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular of the Company dated 1 November 2007 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

The Board proposes to raise not less than approximately HK$151 million before expenses (assuming none of the conversion rights attached to the Convertible Notes 2009 is exercised on or before the Record Date) and not more than approximately HK$178.36 million before expenses (assuming all conversion rights attached to the Convertible Notes 2009 are exercised on or before the Record Date) by way of the Rights Issue of not less than 3,973,672,800 Rights Shares and not more than 4,693,672,800 Rights Shares at a price of HK$0.038 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and is fully underwritten by the Underwriter. The Company plans to use the net proceeds of the Rights Issue as approximately HK$20 million for its general working capital and the balance of approximately HK$125.98 million to HK$152.65 million for future investment opportunities.

Pursuant to the requirements of the Listing Rules, the proposed Rights Issue is conditional on the approval by the Shareholders at the SGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholders, the Directors and the chief executive of the Company are required to abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates held any Share. Accordingly, no Shareholder will be required to abstain from voting on the resolution to approve the Rights Issue at the SGM. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Shareholders at the SGM to approve the Rights Issue must be taken on a poll.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have not considered the taxation implications on Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Board Committee and the Shareholders in respect of the terms of the Rights Issue, we have taken the following principal factors and reasons into consideration:

(I) Background

The Company is principally engaged in the business of trading of toys, gifts and premium products and trading and investments in securities. As set out in the interim report 2007 of the Company, the Company recorded an unaudited net loss of approximately HK$60.38 million for the six months ended 30 June 2007. The Directors are actively pursuing new investments or projects for the medium to long-term growth of the Group and which will broaden the earning base of the Group for the benefits of the Company and the Shareholders as a whole.

(II) Reasons for the Rights Issue

The Directors consider that it is prudent to finance the Group's long-term growth by long term funding, preferably in the form of equity which will not increase the Group's finance costs. Furthermore, the Directors consider that it is in the interest of the Company to enlarge its capital base and improve the overall financial and cash position of the Group by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Company.

Under the Listing Rules, the Group shall not consist wholly or substantially of cash upon the completion of the Rights Issue. Upon completion of the Rights Issue, which is expected to take place approximately two months from the date of the Announcement, and on the assumption that there is no acquisition or investments made by the Group during this period, the percentages of cash to total assets and net assets of the Group will be approximately 84.64% and 98.61% respectively upon completion of the Rights Issue but before the Placing; and (ii) the percentages of cash to total assets and net assets of the Group will be approximately 93.05% and 249.04% respectively upon completion of the Rights Issue and the Placing. Under such circumstance, the Company will not satisfy this requirement and will not be regarded as suitable for listing.

The Directors are in the process of identifying suitable investment(s) and/or business(es) to be made and acquired so that the Company will continue to comply with the Listing Rules. The Company will make announcement when there is any development which has adverse impact on compliance of the Listing Rules and apply for suspension of trading in the Shares on the date of completion of the Rights Issue and/or Placing, as the case may be, if the Company cannot satisfy the requirement under the Listing Rules on the date of completion of the Rights Issue and/or Placing, as the case may be.

We have discussed with the Directors and are advised by the Directors that they had considered other ways of fund raising, including bank borrowing and placing of new Shares and concluded that bank borrowings, if required by the new investments or projects, will incur interest costs while placing of new Shares will result in dilution of the interests of Shareholders. The Rights Issue will enhance the capital base of the Group while allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company. We are of the view that for long term financial planning it is reasonable for the Company to raise funds in the equity capital market rather than in the debt market to release the interest burden and strengthen the financial position of the Group. We are aware that the Company also entered into the Placing Agreement for the issuance of the Convertible Bonds. We note that the Directors have taken into account the terms of the Convertible Bonds, including but not limited to the Initial Conversion Price of the Convertible Bonds being higher than the subscription price of the Rights Issue and there being no immediate dilution effect on the shareholding of the existing Shareholders under the Convertible Bonds.

The Rights Issue is effected on a pro-rata basis and we are of the view that the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interest in the Company and to continue to participate in the future development of the Group. The nil-paid Rights Shares will be traded on the Stock Exchange. Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. On this basis, we consider the Rights Issue is fair and reasonable to the Qualifying Shareholders.

In order to relieve the pressure for conducting future fund exercises, it is appropriate for the Company to raise funds by the Rights Issue as it can raise a net amount of HK$145.98 million to HK$172.65 million which is much more than the aggregated amount the fund raising activities in the past twelve months before the date of the Announcement. Based on the above, we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

(III) Use of proceeds of the Rights Issue

The net proceeds from the Rights Issue is expected to be used by the Company as approximately HK$20 million for its general working capital and the balance of approximately HK$125.98 million to HK$152.65 million for future investment opportunities.

As at the Latest Practicable Date, the Company has not identified any specific investment opportunities. Notwithstanding the above, the Directors remain optimistic about the long-term prospects of the economy and stock markets in Hong Kong and the PRC. Accordingly, more investments opportunities can likely be identified in the near future. In the event that the Group identifies a suitable investment opportunity but does not have sufficient cash resources on hand or it cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Group may lose the opportunity to invest in an otherwise favourable investment. On this basis, we consider that the timing for the Rights Issue being proposed before the happening of immediate need of cash, including but not limited to the above mentioned situation, is appropriate.

Based on the above, we are of the view that the proceeds from the Rights Issue could improve the cash and working capital position of the Group while giving the Group the flexibility to make future possible investments if opportunities arise. Moreover, the overall improvement of the financial position as a results of the proceeds from the Rights Issue could place the Group in a better position to secure future bank borrowings, if required, for funding future investments, which is beneficial to the future development of the Group and therefore is in the interests of the Company and the Shareholders as a whole.

(IV) The major terms of the Rights Issue

Basis of Rights Issue	:	three Rights Shares for every one existing Share held on the Record Date
Number of Shares in issue	:	1,324,557,600 Shares as at the Latest Practicable Date (or 1,564,557,600 Shares upon full exercise of the conversion right by the holders of the Convertible Notes 2009 on or before the Record Date) *(Note)*
Number of Rights Shares	:	Not less than 3,973,672,800 Rights Shares (assuming no conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date) and not more than 4,693,672,800 Rights Shares (assuming all conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date)
Subscription Price	:	HK$0.038 per Rights Share

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 300% of the Company's issued share capital as at the Latest Practicable Date and approximately 75% of the Company's enlarged issued share capital of the Company immediately following the completion of the Rights Shares, assuming that none of the conversion rights of the Convertible Notes 2009 are exercised on or before the completion of the Rights Issue.

Note:

As at the Latest Practicable Date, a principal amount of HK$24,000,000.00 of the Convertible Notes 2009 was outstanding and carrying right to convert the outstanding principal amount into 240,000,000 Shares at a conversion price of HK$0.10 per Share (subject to adjustment). Save for the above, the Company has no derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription price

HK$0.038 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for Rights Shares.

The subscription price of HK$0.038 per Rights Share was arrived at after arm's length negotiations between the Company and the Underwriter with reference to recent closing prices of the Shares on the Stock Exchange and represents:

(i) a discount of approximately 61.62% to the closing price of HK$0.099 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 28.64% to the theoretical ex-rights price of HK$0.05325 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 63.11% to the average closing price of the Shares of approximately HK$0.103 for last 5 trading days up to the Last Trading Day; and

(iv) a discount of approximately 63.81% to the closing price of HK$0.105 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors (including the independent non-executive Directors) consider that the discount of the subscription price of the Rights Share is reasonable on the basis that the terms of the Rights Issue (including the price) are arrived at after arms-length negotiation with the Underwriter and should achieve the objective of encouraging existing Shareholders to take up their entitlements, so as to share in the potential growth of the Company.

The subscription price of the Rights Shares and the size of Rights Issue are arrived at after taking into account of (1) the amount of funds that the Company wishes to raise and (2) the prevailing market conditions and the agreed terms accepted by the Company and the Underwriter. The Directors consider that significant discounts the subscription price of the Rights Shares compared above will encourage existing Shareholders to take up their entitlements.

We have reviewed and included, so far as we are aware, all the rights issues announced during the last 6 months prior to the date of the Announcement by the companies listed on the main board of the Stock Exchange. The pricing of a rights issue may vary under different stock market condition as well as for companies with different financial standing and business performance. Nevertheless, we consider that the comparison of rights issues announced recently could provide a general reference for the reasonableness of the pricing of the Rights Issue and that it is appropriate and relevant. The terms of all the rights issues conducted by these main board listed companies (the "Comparables") during the above mentioned period are summarized as below:

Company name (Stock Code)	Date of Announcement	Offer Ratio	Premium/ (Discount) of subscription price over/to the closingprice on the last trading day (%)	Premium/ (Discount) of subscription price over/to the theoretical ex-right price (%)	Premium/ (Discount) of subscription price over/to the latest available net asset value per share (%)	Underwriting commission (%)
Fortuna International Holdings Limited (530)	09/05/2007	2 for 1	(72.3)	(46.5)	(72.7)	2%
TCL Multimedia Technology Holdings Limited (1070)	15/05/2007	1 for 2	(37.5)	(28.6)	(35.2)	Not available
Kingway Brewery Holdings Limited (124)	16/05/2007	2 for 9	(25.5)	(21.9)	74.1	4.0
Cheong Ming Investments Limited (1196)	25/05/2007	1 for 4	(44.4)	(34.8)	(56.5)	2.5
Sino Katalytics Investment Corporation (2324)	12/06/2007	1 for 2	(28.0)	(20.6)	(51.4)	2.5
Asia Orient Holdings Limited (214)	13/06/2007	1 for 2	(42.2)	(32.6)	(73.4)	2.0
UDL Holdings Limited (620)	15/06/2007	1 for 2	(67.3)	(57.8)	2,400	2.5
China Financial Industry Investment Fund Limited (1227)	21/06/2007	12 for 1	(91.9)	(46.7)	25.0	2.25
SunCorp Technologies Limited (1063)	26/06/2007	3 for 10	(26.9)	(22.1)	Not available	Not available
Matsunichi Communication Holdings Limited (283)	28/06/2007	1 for 2	(10.0)	(6.3)	112.8	Not available
Century Legend (Holdings) Limited (79)	03/07/2007	1 for 5	(60.7)	(50.7)	(58.8)	2.5
Shangri-La Asia Limited (69)	03/07/2007	1 for 9	(4.8)	(4.3)	118.9	1.0
The Sun's Group Limited (988)	06/07/2007	1 for 2	(69.7)	(60.5)	21.3	1.5
Sino Technology Investments Company Limited (1217)	16/08/2007	10 for 1	(87.3)	(33.3)	(58.0)	2.1
New Heritage Holdings Limited (95)	17/08/2007	3 for 8	(14.8)	(11.9)	(19.1)	1.25
Heritage International Holdings Limited (412)	27/08/2007	1 for 2	(13.8)	(9.1)	(39.6)	2.5
China Star Entertainment Limited (326)	30/08/2007	1 for 2	(17.4)	(12.3)	(79.7)	2.5
Angang Steel Company Limited (347)	29/09/2007	2.2 for 10	(47.1)	(42.2)	(42.4)	Not available
Highest premium/Lowest (Discount)			**(4.8)**	**(4.3)**	**2,400**	
Highest (Discount)			**(91.9)**	**(60.5)**	**(79.7)**	
mean			**(42.3)**	**(30.1)**	**127.4**	**2.1**
median			**(39.9)**	**(30.6)**	**(39.6)**	**2.5**
The Company		**3 for 1**	**(61.62)**	**(28.64)**	**15.85**	**2.5**

Source: The Stock Exchange website, the respective announcements and circulars

As noted from the above table,

1. the subscription price to the closing prices on the last trading day prior to the dates of announcements of the Comparables ranged from a discount of 4.8 % to a discount of 91.9 % (the "First Relevant Range"), with the mean and median at discounts of approximately 42.3 % and 39.9 % respectively. The discount of the subscription price of the Rights Issue to the closing price of the Shares on the Last Trading Day is approximately 61.62 %, which is deeper than mean and median but falls within the First Relevant Range of the Comparables;

2. the subscription price to the theoretical ex-rights prices per share based on the last trading day prior to the dates of the announcements in relation to the Comparables ranged from a discount of 4.3 % to a discount of 60.5 % (the "Second Relevant Range"), with the mean and median at discounts of approximately 30.1 % and 30.6 % respectively. The discount of the subscription price of the Rights Issue to the theoretical ex-rights price per Share of approximately 28.64 %, based on the closing price of the Shares on the Last Trading Day, is less than the mean and the median and falls within the Second Relevant Range of the Comparables; and

3. the subscription price to the net asset value per share of the Comparables ranged from a premium of 2,400 % to a discount of approximately 79.7 % (the "Third Relevant Range"), with the mean at a premium of approximately 127.4 % and the median at a discount 39.6 % respectively. Based on the unaudited net assets value of the Company as at 30 June 2007, the premium of the subscription price to the Rights Issue to the unaudited net asset value per Share as at the last trading day of approximately 15.85 % falls within the Third Relevant Range.

We note that (i) it is common to offer higher discount rates for the rights issues involved heavy calls (i.e. higher offer ratio) on shareholders in order to enhance the attractiveness to the shareholders as well as the underwriters; (ii) the discount of the subscription price of the Rights Issue to the closing price of the Shares on the Last Trading Day falls within the First Relevant Range of the Comparables; (iii) the discount of the subscription price of the Rights Issue to the theoretical ex-rights price per Share falls within the Second Relevant Range of the Comparables; and (iv) the discount of the subscription price to the Rights Issue to the unaudited net asset value per Share as at the last trading day also falls within the Third Relevant Range. Accordingly, we are of the view the subscription price is fair and reasonable so far as the Shareholders are concern.

The deep discount of the subscription price to the closing price of the Share on the Last Trading Day and the theoretical ex-right price of the Shares presents provides an opportunity for the Qualifying Shareholders to take up the Rights Shares at a more attractive price while providing the Company with the funding which is in the interest of the Company and the Shareholders as a whole of concern.

The underwriting commission rates of the Comparables ranged from 1.0 % to 4.0 % (the "Fourth Relevant Range"), with the mean and median of approximately 2.1 % and 2.5 % respectively. The underwriting commission of the Rights Issue, being 2.5 %, is higher than the mean and equal to the median but falls within the Forth Relevant Range of the Comparables. We consider that the subscription price and the underwriting commission of the Rights Issue are generally in line with that of the Comparables and are fair and reasonable so far as the Shareholders are concerned.

(V) Other terms of the Rights Issue and the underwriting arrangements

The other terms of the Rights Issue, being set out under the sub-sections headed "RIGHTS ISSUE", "TERMS OF THE RIGHTS ISSUE"; "UNDERWRITING ARRANGEMENTS" and "CONDITIONS OF THE RIGHTS ISSUE" in the Board Letter, include the detailed terms related to:

- the Qualifying Shareholders;
- the Basis of provisional allotments;
- the Status of the Rights Shares;
- the Rights of Non-Qualifying Shareholders;
- the Fractions of Rights Shares;
- the Application for excess Rights Shares;
- the Share certificates and refund cheques for Rights Issue;
- the Application for listing;
- the Terms of the Underwriting Agreement;
- the Termination of the Underwriting Agreement; and
- the Conditions of the Rights Issue.

Other than the subscription price and the underwriting commission of the Rights Issue, we have also reviewed the other terms of the Rights Issue together with the terms of the Underwriting Agreement as listed above, we are of the view that the terms of the Rights Issue together with the terms of the Underwriting Agreement on normal commercial basis, no extraordinary terms being noted.

(VI) Effect on shareholding interests of the Shareholders

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and the effect on the shareholding of the Company following completion of the Rights Issue, assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue save pursuant to the exercise of the conversion rights attaching to the Convertible Notes 2009; and (ii) the Underwriter takes up the Rights Shares to the maximum extent:

Scenario 1:

Assuming there is no subscription of the Rights Shares by the existing Shareholders and no conversion of the Convertible Notes 2009 on or before the Record Date

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue but before the Placing (assuming none of the conversion rights attaching to the Convertible Notes 2009 are converted into Shares)		Immediately after completion of the Rights Issue (assuming all the conversion rights attaching to the Convertible Shareholders Notes 2009 are converted into Shares after the Record Date)	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Tse Cho Tseung *(Note 1)*	141,224,000	10.66%	141,224,000	2.67%	141,224,000	2.46%
The Underwriter/ sub-underwriters	—	—	3,973,672,800	75.00%	3,973,672,800	69.19%
Holders of Convertible Notes 2009 *(Note 2)*	—	—	—	—	444,444,444	7.74%
Public	1,183,333,600	89.34%	1,183,333,600	22.33%	1,183,333,600	20.61%
	1,324,557,600	100.00%	5,298,230,400	100.00%	5,742,674,844	100.00%

Scenario 2:

Assuming there is no subscription of the Rights Shares by the existing Shareholders and full conversion of the Convertible Notes 2009 on or before the Record Date

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue but before the Placing	
	Number of Shares	*%*	*Number of Shares*	*%*
Tse Cho Tseung *(Note 1)*	141,224,000	10.66%	141,224,000	2.26%
The Underwriter/sub-underwriters	—	—	4,693,672,800	75.00%
Holders of Convertible Notes 2009	—	—	240,000,000	3.83%
Public	1,183,333,600	89.34%	1,183,333,600	18.91%
	1,324,557,600	100.00%	6,258,230,400	100.00%

Notes:

1. The Directors have no knowledge that whether Mr. Tse Cho Tseung has any intention to take up his entitlement under the Rights Issue or apply for excess Rights Shares. This table has assumed that he will not take up his entitlement under the Rights Issue, apply for excess Rights Shares or change his existing shareholding in the Company and therefore becomes a public Shareholder immediately after the Rights Issue. If he takes up his entitlement under the Rights Issue in full, he will remain as a substantial Shareholder by his 10.66% shareholding in the Company immediately after the Rights Issue but before the Placing (assuming none of the conversion rights attaching to the Convertible Notes 2009 will be converted into Shares).

2. According to the terms of the Convertible Notes 2009, the initial conversion price of the Convertible Notes 2009 will be adjusted on the next day following the Record Date. Detail of such adjustment could be referred to the section headed "Adjustments in relation to the Convertible Bonds and Convertible Notes 2009" in the "Letter from the Board" in the Circular.

The Underwriter has sub-underwritten its underwriting obligations under the Rights Issue to sub-underwriters such that each of the Underwriter and the sub-underwriters (together with their respective concert parties) will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue. Each of the Underwriter and the sub-underwriters (and their respective ultimate beneficial owners) is not a party acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with each other or with any Shareholders. Each of the Underwriter and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

As stipulated in the Underwriting Agreement, in the event that the Underwriter or any of the sub-underwriters mentioned above is required to take up the Rights Shares pursuant to their underwriting obligations, none of the Underwriter and the sub-underwriters will own 10% or more of the issue share capital of the Company immediately after the Rights Issue and the Underwriter or any of these sub-underwriters shall procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

Shareholders who do not take up their entitlements in full will have the opportunity to realise their nil-paid Rights Shares on the market, subject to market conditions. The nil-paid Rights Shares will be traded on the Stock Exchange.

Taking into consideration the foregoing, we consider that as the Qualifying Shareholders can choose to participate in the Rights Issue or, if they are unwilling or unable to do so, to dispose of their entitlements nil-paid in the market at a premium if one can be obtained, the Rights Issue is an equitable method for all the Qualifying Shareholders to raise new equity capital for the Company. The Rights Issue is a fair and reasonable method to raise funds, as the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company.

(VII) Financial effects of the Rights Issue

(a) Net tangible assets

The effect on the unaudited pro forma consolidated net tangible assets of the Group immediately after completion of the Rights Issue are set out in Appendix II in this circular.

We consider that the increase in adjusted consolidated net asset value per Share immediately after the Rights Issue is not prejudicial to any Qualifying Shareholder due to the fact that the Qualifying Shareholder can give up his entitlements to the Rights Shares. We are also of the view that the subscription price of HK$0.038 per Rights Share carries a premium to the unaudited pro forma consolidated net tangible asset value per Share is fair and reasonable as the Qualifying Shareholders are concerned, when taking into account of the discounts to the closing price of the Shares on the Last Trading Day, the average closing price of the Shares for last 5 trading days up to the Last Trading Day and the theoretical ex-rights price per Share of the subscription price of Rights Share.

We are also of the view that the unaudited pro forma consolidated net tangible asset value per Share after the completion of the Rights Issue to be improved under both the scenarios of no conversion and the full conversion of the Convertible Notes 2009 before Record Date, is in the interest of the Company and Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders.

(b) Gearing ratio and working capital

Based on the audited consolidated accounts of the Company as at 31 December 2006, the gearing ratio (calculated as the current liabilities of approximately HK$53.1 million to shareholders' equity of approximately HK$69.6 million) of the Group was approximately 76.3 %. The Rights Issue can raise a net amount of HK$145.98 million to HK$172.65 million. Accordingly, the gearing ratio of the Group immediately after the Rights Issue will be substantially improved depends on the exercise of the conversion rights attaching to the Convertible Notes 2009.

The cash position and working capital (before any specific investments made) of the Group immediately after the Rights Issue will be increased by the same amount of the actual net proceeds of the Rights Issue.

We are also of the view that the cash position and working capital of the Group to be improved immediately after the Rights Issue is in the interest of the Company and Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders.

RECOMMENDATION

We have taken into consideration of the above principal factors and reasons, in particular:

- the net proceeds from the Rights Issue will improve the working capital position of the Group and provide the Company sufficient cash for future possible investments, if opportunities arise;
- the Rights Issue would enlarge the capital base of the Company;
- the Rights Issue would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group;
- the Rights Issue is on normal commercial terms;
- the discounts represented by the subscription price of the Rights Issue to the closing price of the Shares, the theoretical ex-rights price of the Shares and the unaudited adjusted net assets value per Share fall within the First Relevant Range, the Second Relevant Range and the Third Relevant Range respectively; and
- the Rights Issue can improve the net assets value per Share, the gearing ratio and the working capital position of the Group.

We are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole and the terms of Rights Issue are fair and reasonable so far as the Company and the Shareholders, including both the Qualifying Shareholders and the Non-Qualifying Shareholders, are concerned. Accordingly, we recommend the Independent Board Committee to advise the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Menlo Capital Limited
Michael Leung
Director

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results and financial position of the Group for the three years ended 31 December 2006, as extracted from the unqualified annual reports of the Company for the respective years.

Consolidated Results

	Years ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Turnover	130,085	165,810	165,291
(Loss)/Profit before taxation	(36,389)	11,458	(1,666)
Taxation	(76)	(872)	(1,786)
(Loss)/Profit for the year from discontinued operation	(68)	585	—
(Loss)/Profit for the year	(36,533)	11,171	(3,452)
Attributable to:			
Equity holders of the Company	(36,610)	10,056	(6,169)
Minority interests	77	1,115	2,717
	(36,533)	11,171	(3,452)
(Loss)/Earnings per share			
Basic	(5.59 cents)	1.60 cents	(0.52 cents)
Diluted	N/A	1.57 cents	N/A

Financial Positions

	As at 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Total assets	126,653	140,282	142,168
Total liabilities	(57,039)	(53,090)	(64,599)
Net assets	69,614	87,192	77,569

2. AUDITED FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated financial statements of the Group for the financial years ended 31 December 2006 and 2005 together with the relevant notes to the accounts, as extracted from the unqualified audited financial statements of the Group for the financial year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000* (restated)
Continuing operations			
Turnover	*5*	130,085	165,810
Cost of sales		(129,847)	(139,344)
Gross profit		238	26,466
Other income	*6*	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	*32*	—	10
Finance costs	*12*	(930)	(85)
(Loss) Profit before taxation		(36,389)	11,458
Taxation	*10*	(76)	(872)
(Loss) Profit for the year from continuing operations		(36,465)	10,586
Discontinued operation			
(Loss) Profit for the year from discontinued operation	*11*	(68)	585
(Loss) Profit for the year	*12*	(36,533)	11,171
Attributable to:			
Equity holders of the Company	*14*	(36,610)	10,056
Minority interests		77	1,115
(Loss) Profit for the year		(36,533)	11,171
(Loss) Earnings per share	*15*		
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
At 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Non-current assets			
Property, plant and equipment	*16*	52,551	65,021
Goodwill	*17*	4,201	5,733
Prepaid lease payments	*18*	3,327	8,698
Club debenture		220	220
		60,299	79,672
Current assets			
Inventories	*20*	7,175	8,767
Trade and other receivables	*21*	32,648	45,619
Current portion of prepaid lease payments	*18*	72	180
Bank balances and cash		7,136	6,044
Tax recoverable		196	—
		47,227	60,610
Non-current assets classified as held for sale	*13*	19,127	—
		66,354	60,610
Current liabilities			
Trade and other payables	*22*	42,532	43,024
Current portion of interest-bearing borrowings	*23*	8,800	1,750
Current portion of obligations under finance leases	*24*	1,813	1,656
Taxation		—	1,734
		53,145	48,164
Liabilities associated with non-current assets classified as held for sale	*13*	2,093	—
		55,238	48,164
Net current assets		11,116	12,446
Total assets less current liabilities		71,415	92,118

CONSOLIDATED BALANCE SHEET *(Continued)*
At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current liabilities			
Long-term interest-bearing borrowings	23	—	1,312
Long-term obligations under finance leases	24	1,801	3,614
		1,801	4,926
NET ASSETS		69,614	87,192
Capital and reserves			
Share capital	26	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

BALANCE SHEET
At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current asset			
Interest in subsidiaries	19	1	1
Current assets			
Other receivables	21	69,604	70,280
Bank balances and cash		1,947	39
		71,551	70,319
Current liabilities			
Other payables	22	2,941	950
Net current assets		68,610	69,369
NET ASSETS		68,611	69,370
Capital and reserves			
Share capital	26	19,536	15,785
Reserves	27	49,075	53,585
TOTAL EQUITY		68,611	69,370

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Share options reserve	Convertible notes equity reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 26)		*(Note)*	*(Note 30)*						
At 1 January 2005	15,285	33,124	2,099	—	262	—	21,114	71,884	5,685	77,569
Exchange difference on translation of financial statements of overseas subsidiaries recognised directly in equity	—	—	—	—	—	1,399	—	1,399	—	1,399
Released on disposal of subsidiaries	—	—	—	—	—	—	—	—	(1,961)	(1,961)
Profit for the year	—	—	—	—	—	—	10,056	10,056	1,115	11,171
Total recognised income and expenses for the year	—	—	—	—	—	1,399	10,056	11,455	(846)	10,609
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(3,293)	(3,293)
Issue of shares upon conversion of convertible notes	500	2,069	—	—	(262)	—	—	2,307	—	2,307
At 31 December 2005	15,785	35,193	2,099	—	—	1,399	31,170	85,646	1,546	87,192

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2006

	Attributable to equity holders of the Company									
	Share capital HK$'000 (Note 26)	Share premium HK$'000	Capital reserve HK$'000 (Note)	Share options reserve HK$'000 (Note 30)	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006	15,785	35,193	2,099	—	—	1,399	31,170	85,646	1,546	87,192
Exchange difference on translation of financial statements of overseas subsidiaries recognised directly in equity	—	—	—	—	—	1,710	—	1,710	—	1,710
Released on disposal of subsidiaries	—	—	—	—	—	—	—	—	(161)	(161)
(Loss) Profit for the year	—	—	—	—	—	—	(36,610)	(36,610)	77	(36,533)
Total recognised income and expenses for the year	—	—	—	—	—	1,710	(36,610)	(34,900)	(84)	(34,984)
Issue of shares upon placement of shares	3,000	9,000	—	—	—	—	—	12,000	—	12,000
Equity settled share-based payment transactions	—	—	—	1,868	—	—	—	1,868	—	1,868
Issue on shares upon exercise of share options	751	4,799	—	(1,868)	—	—	—	3,682	—	3,682
Share issue expense	—	(144)	—	—	—	—	—	(144)	—	(144)
At 31 December 2006	19,536	48,848	2,099	—	—	3,109	(5,440)	68,152	1,462	69,614

Note:

The capital reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the aggregate of the nominal value of the issued share capital of a former subsidiary which was acquired by the Company pursuant to a group reorganisation in 1994 to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	28	(11,091)	(2,709)
Income taxes paid		(2,006)	(825)
Net cash used in operating activities		(13,097)	(3,534)
INVESTING ACTIVITIES			
Interest received		71	45
Payment of construction cost payable		—	(11,754)
Payment for prepaid lease payments		—	(3,275)
Purchase of club debenture		—	(220)
Purchase of property, plant and equipment		(4,194)	(16,348)
Cash (used in) from disposal of subsidiaries		(242)	4,453
Proceeds from disposal of investments held for trading		—	8,337
Net cash used in investing activities		(4,365)	(18,762)
FINANCING ACTIVITIES			
Net proceeds from issue of new shares		11,856	—
Issue of shares on exercise of share options		3,682	—
Dividends paid to minority shareholders		—	(3,293)
Interest paid		(543)	(75)
Proceeds from new interest-bearing borrowings		10,000	3,500
Repayment of interest-bearing borrowings		(4,262)	(438)
Interest element paid on obligations under finance leases		(387)	—
Repayment of obligations under finance leases		(1,656)	(730)
Net cash from (used in) financing activities		18,690	(1,036)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*
For the year ended 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Net increase (decrease) in cash and cash equivalents		1,228	(23,332)
Cash and cash equivalents at beginning of year		6,044	29,348
Effect on exchange rate changes		(65)	28
Cash and cash equivalents at end of year		7,207	6,044
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		7,136	6,044
Cash and cash equivalents attributable to the non-current assets held for sale *(Note 13)*		71	—
		7,207	6,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. GENERAL INFORMATION

GFT Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange. The address of the Company's registered office and principal place of business are disclosed in the Corporate Information section of the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are trading and manufacturing of toys, gifts and premiums. The Group was also engaged in the manufacturing and trading of consumer products, which were discontinued in the current year (Note 11).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), 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 ("HKICPA"), 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.

These 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 amendment of HKAS 39 and HKFRS 4 as explained in note 3 to the financial statements. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of these financial statements is historical cost, except for (1) certain financial instruments, which are measured at fair value as explained in note 2(i) to the financial statements; and (2) non-current assets held for sale, which are stated at lower of carrying amount and fair value less costs to sell as explained in note 2(v) to the financial statements.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

All intra-group transactions and balances, income and expenses are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interest which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the balance sheet within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(d) Subsidiaries

A subsidiary is an entity, in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investment in subsidiaries is stated at cost less impairment losses. The carrying amount of investment is reduced to its recoverable amount on an individual basis. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(e) Goodwill

Goodwill on acquisition of subsidiary, being the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities, is recognised as a separate asset. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment test and determination of gain or loss on disposal. An impairment loss on goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of businesses at the date of acquisition, after reassessment, is recognised immediately in income statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately.

Buildings	Over the shorter of the term of the prepaid land lease or 50 years
Leasehold improvements	Over the shorter of the term of the prepaid land lease or 5 years
Plant and machinery	20% — 33.33%
Furniture, fixtures and equipment	20% — 33.33%
Motor vehicles	25% — 33.33%

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the leases.

(g) Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

(h) Prepaid lease payments

Prepaid lease payments are up-front payments to acquire fixed term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

(j) Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income is recognised when the properties are let out and on the straight-line basis over the lease terms.

(l) Foreign currency translation

Items included in the financial statements of each of the group entities, including subsidiaries are measured using the currency of the primary economic environment in which the group entities operate ("functional currency"). The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation, the results and financial position of all the group entities that have a functional currency different from the presentation currency are translated as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates;

(c) all resulting exchange differences are recognised as a separate component of equity;

(d) upon disposal of a group entity, exchange differences relating thereto and previously recognised in reserves are recognised in the income statement as part of the gain or loss on disposal; and

(e) goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign entity are treated as assets and liabilities of that foreign entity and translated at the closing rates. Exchange differences arising are recognised in the translation reserve.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Club debenture

Club debenture has indefinite useful life and is measured at cost less accumulated impairment losses.

(o) Impairment of other assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its property, plant and equipment, prepaid lease payments, club debenture and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income statement.

(p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income statement on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits — Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(r) Share-based payment transactions — Equity-settled transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share options reserve within equity. The fair value is measured at grant date using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Group's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated profits). Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investments in subsidiaries in the Company's balance sheet which is eliminated on consolidation.

(s) Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Non-current assets held for sale and discontinued operation

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transactions.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

(ii) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(w) Future changes in HKFRS

At the date of authorisation of these financial statements, the Group has not early adopted the new/revised standards and interpretations issued by HKICPA that are not yet effective for the current year. The directors anticipate that the adoption of these new HKFRS in the future periods will have no material impact on the result of the Group.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

HKAS 39 and HKFRS 4 (Amendment) "Financial guarantee contracts"

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 January 2006, HKAS 39 requires recognising financial guarantees issued as financial liabilities and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. The adoption of this new accounting policy had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 2 to the financial statements, management makes various estimates based on past experience, expectations of the future and other information. The key sources affect the amounts recognised in the financial information as disclosed below.

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Estimated impairment of goodwill

Determining whether goodwill is impaired required an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. During the year, the directors determined that goodwill has impaired and such impairment has been recognised in the consolidated income statement.

5. TURNOVER AND REVENUE

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 *(Note 11)*	2,547	13,318
	132,632	179,128

6. OTHER INCOME

	2006	**2005**
	HK$'000	*HK$'000*
Continuing operations		
Interest income	71	45
Rental income	159	8,362
Sundry income	948	447
	1,178	8,854
Discontinued operation *(Note 11)*	—	646
	1,178	9,500

7. SEGMENT INFORMATION

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

Primary reporting format — business segments

The Group comprises the following main business segments:

Business segments	**Nature of business activities**
1. Toy products trading and manufacturing	Sourcing, manufacturing and distribution of toys and premium
2. Securities trading and investments	Trading and investing of marketable securities
3. Consumer products trading and manufacturing	Sourcing, manufacturing and distribution of consumer products

Certain comparative figures for segment information have been restated and reclassified to conform with current year's presentation. In the opinion of the Company's directors, such classifications provide a more appropriate presentation of the Group's business segments.

7. SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

2006

	Continuing operations			Discontinued operation	
	Toy products trading and manufacturing *HK$'000*	**Securities trading and investments** *HK$'000*	**Total** *HK$'000*	**Consumer products trading and manufacturing** *HK$'000*	**Consolidated** *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)
Assets					
Segment assets	119,556	408	119,964	—	119,964
Unallocated assets			6,689	—	6,689
Total assets			126,653	—	126,653
Liabilities					
Segment liabilities	53,684	—	53,684	—	53,684
Unallocated liabilities			3,355	—	3,355
Total liabilities			57,039	—	57,039
Other information					
Capital expenditure	4,194	—	4,194	—	4,194
Depreciation					
Business segment	5,112	12	5,124	—	5,124
Unallocated items			212	—	212
Amortisation on prepaid lease payments	182	—	182	—	182
Significant non-cash expenses (other than depreciation and amortisation)					
Business segment	2,983	—	2,983	26	3,009
Unallocated items			1,136	—	1,136

7. SEGMENT INFORMATION *(Continued)*

Primary reporting format — business segments *(Continued)*

2005

	Continuing operations			Discontinued operation	
	Toy products trading and manufacturing *HK$'000*	**Securities trading and investments** *HK$'000*	**Total** *HK$'000*	**Consumer products trading and manufacturing** *HK$'000*	**Consolidated** *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
Assets					
Segment assets	132,793	67	132,860	3,318	136,178
Unallocated assets			4,104	—	4,104
Total assets			136,964	3,318	140,282
Liabilities					
Segment liabilities	48,624	—	48,624	3,040	51,664
Unallocated liabilities			1,426	—	1,426
Total liabilities			50,050	3,040	53,090
Other information					
Capital expenditure					
Business segment	22,254	—	22,254	36	22,290
Unallocated items			58	—	58
Depreciation					
Business segment	3,633	19	3,652	75	3,727
Unallocated items			202	—	202
Amortisation on prepaid lease payments	179	—	179	—	179
Significant non-cash expenses (other than depreciation and amortisation)	29	—	29	912	941

7. SEGMENT INFORMATION *(Continued)*

Secondary reporting format — geographical segments

The Group's business is managed on a worldwide basis, but participates in the principal economic environments as shown in the table below. Japan and Hong Kong are the major markets for all of the Group's businesses, and the location of the toy products manufacturing is in the People's Republic of China (the "PRC").

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Revenue	**Total assets**	**Capital expenditure**
	HK$'000	*HK$'000*	*HK$'000*
2006			
Japan	52,623	5,534	—
Hong Kong	35,531	19,136	5
PRC	32,426	100,722	4,189
Taiwan	4,915	—	—
Europe	4,408	390	—
Singapore	1,834	—	—
United States of America	605	283	—
Others	290	588	—
	132,632	126,653	4,194

	Revenue	**Total assets**	**Capital expenditure**
	HK$'000	*HK$'000* (restated)	*HK$'000*
2005			
Japan	72,012	5,558	—
Hong Kong	39,758	25,473	131
PRC	40,824	103,977	22,217
Europe	17,423	590	—
Singapore	1,268	—	—
United States of America	6,839	2,466	—
Others	1,004	2,218	—
	179,128	140,282	22,348

8. DIRECTORS' REMUNERATION

The emoluments paid or payable to every director for the year ended 31 December 2006 is set out below:

	Directors' fees	Salaries, allowances and benefits in kinds	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Leung Wai Ho	—	650	12	662
Wong Chung Shun	—	585	12	597
Ha Kee Choy, Eugene	200	—	—	200
Non-executive directors:				
Chui Chi Yun, Robert	120	—	—	120
Lam Kwok Cheong	120	—	—	120
Lai Wing Leung, Peter	120	—	—	120
	560	1,235	24	1,819

The emoluments paid or payable to every director for the year ended 31 December 2005 is set out below:

	Directors' fees	Salaries, allowances and benefits in kinds	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Leung Wai Ho	—	700	12	712
Wong Chung Shun	—	635	12	647
Ha Kee Choy, Eugene	290	—	—	290
Non-executive directors:				
Chui Chi Yun, Robert	120	—	—	120
Lam Kwok Cheong	120	—	—	120
Lai Wing Leung, Peter	120	—	—	120
	650	1,335	24	2,009

No directors have waived emoluments in respect of the years ended 31 December 2006 and 2005.

9. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two (2005: two) are directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining three (2005: three) individuals were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kinds	1,723	1,805
Retirement scheme contributions	41	24
Share-based payments	934	—
	2,698	1,829

The emoluments of the three (2005: three) individuals with the highest emoluments are within the following bands:

	2006	**2005**
	Number of individuals	*Number of individuals*
Nil — HK$1,000,000	2	3
HK$1,000,001 — HK$1,500,000	1	—
	3	3

10. 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

Reconciliation of tax expense

	2006	**2005**
	HK$'000	*HK$'000*
(Loss) Profit before taxation		
Continuing operations	(36,389)	11,458
Discontinued operation *(Note 11)*	(68)	586
	(36,457)	12,044
Income tax at applicable tax rate of 17.5% (2005: 17.5%)	(6,380)	2,108
Non-deductible expenses	902	465
Tax exempt revenue	(353)	(1,204)
Unrecognised tax losses	5,240	1,303
Unrecognised temporary differences	13	—
Effect of tax exemptions granted to PRC subsidiaries	—	(1,161)
Effect of different tax rates of subsidiaries operating in other jurisdictions	637	(633)
Under (Over) provision in prior years	17	(5)
Tax expense for the year	76	873

The applicable tax rate is Hong Kong profits tax rate of 17.5% (2005: 17.5%).

11. 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, details of the disposal of assets and liabilities are disclosed in note 32 to the financial statements. The results and net cash flows 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
Cash flows used in discontinued operation		
Net cash flows used in operating activities	(114)	(1,016)
Net cash flows used in investing activities	—	(61)
Net cash flows from financing activities	—	203
Net cash flows	(114)	(874)

12. (LOSS) PROFIT FOR THE YEAR

This is stated after charging (crediting):

		2006	2005
		HK$'000	*HK$'000*
(a)	**Finance costs**		
	Interest on convertible notes wholly repayable within five years	—	41
	Interest on bank loans and other borrowings wholly repayable within five years	543	22
	Finance charges on obligations under finance leases	387	40
		930	103
	Attributable to discontinued operation *(Note 11)*	—	(18)
		930	85
(b)	**Other items**		
	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 investments held for trading	—	(2,863)

13. NON-CURRENT ASSETS HELD FOR SALE

On 24 November 2006, the directors announced that the Company entered into an agreement with a third party on 23 November 2006 to dispose of all its interest in certain subsidiaries of the Group for an aggregate consideration of HK$20,000,000. The principal assets held by the subsidiaries are land use rights in respect of parcels of land situated in the PRC. The disposal is expected to be completed in May 2007. The major classes of assets and liabilities of the subsidiaries to be disposed classified as held for sale at the balance sheet date are as follows:

	Group
	2006
	HK$'000
Non-current assets classified as held for sale	
Goodwill	396
Property, plant and equipment	13,060
Prepaid lease payments	5,600
Bank balance and cash	71
	19,127
Liabilities associated with non-current assets classified as held for sale	
Due to a related company *(Note 13(a))*	(2,093)
	(2,093)
Net assets classified as held for sale	17,034

(a) Due to a related company

The amount due is unsecured, interest-free and repayable on demand. The related company is owned and controlled by Mr. Leung Wai Ho and Mr. Wong Chung Shun, directors and shareholders of the Company.

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK$18,165,000 (2005: HK$4,018,000).

15. (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	N/A	10,097

Number of shares

	2006	**2005**
	Number of shares '000	*Number of shares '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	N/A	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.

15. **(LOSS) EARNINGS PER SHARE** *(Continued)*

(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 operation	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	N/A	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 denominators detailed above for both basic and diluted (loss) earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 Janaury 2005	31,625	126	12,504	2,116	479	50	46,900
Exchange adjustments	764	—	263	38	1	1	1,067
Additions	12,207	68	6,418	243	—	3,412	22,348
Transfer	53	—	—	—	—	(53)	—
Disposals	—	—	(4)	(38)	—	—	(42)
Eliminated on disposal of subsidiaries	—	(24)	—	(138)	—	—	(162)
At 31 December 2005	44,649	170	19,181	2,221	480	3,410	70,111
Exchange adjustments	1,563	—	441	60	2	119	2,185
Additions	3,570	—	570	47	7	—	4,194
Transfer	3,200	—	295	—	—	(3,495)	—
Disposals	—	(43)	—	(22)	—	—	(65)
Eliminated on disposal of a subsidiary	—	(74)	(49)	(75)	—	—	(198)
Reclassified as held for sale	(13,576)	—	—	—	—	—	(13,576)
At 31 December 2006	**39,406**	**53**	**20,438**	**2,231**	**489**	**34**	**62,651**
Depreciation							
At 1 Janaury 2005	150	49	726	199	98	—	1,222
Exchange adjustments	2	—	—	—	—	—	2
Charged for the year	777	36	2,586	431	99	—	3,929
Disposals	—	—	(2)	(28)	—	—	(30)
Eliminated on disposal of subsidiaries	—	—	—	(33)	—	—	(33)
At 31 December 2005	929	85	3,310	569	197	—	5,090
Exchange adjustments	70	—	219	25	1	—	315
Charged for the year	931	15	3,880	410	100	—	5,336
Disposals	—	(16)	—	(7)	—	—	(23)
Eliminated on disposal of a subsidiary	—	(48)	(26)	(28)	—	—	(102)
Reclassified as held for sale	(516)	—	—	—	—	—	(516)
At 31 December 2006	**1,414**	**36**	**7,383**	**969**	**298**	**—**	**10,100**
Net Book Value							
At 31 December 2006	**37,992**	**17**	**13,055**	**1,262**	**191**	**34**	**52,551**
At 31 December 2005	43,720	85	15,871	1,652	283	3,410	65,021

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

The net book value of the Group's property, plant and equipment includes an amount of HK$4,800,000 (2005: HK$6,000,000) in respect of assets held under finance leases.

Property, plant and equipment with an aggregate net book value at the balance sheet date of HK$42,792,000 (2005: HK$Nil) were pledged to secure banking facilities granted to a subsidiary of the Group.

17. GOODWILL

	Group
	HK$'000
COST	
At 1 January 2005	8,413
Adjustments to accumulated amortisation on adoption of HKFRS 3	(696)
Eliminated on disposal of subsidiaries	(1,075)
At 31 December 2005	6,642
Eliminated on disposal of subsidiary	(909)
Reclassified as held for sale	(396)
At 31 December 2006	**5,337**
Amortisation	
At 1 January 2006	696
Adjustments to accumulated amortisation on adoption of HKFRS 3	(696)
At 31 December 2005 and 2006	**—**
IMPAIRMENT	
At 1 January 2005	—
Provided for the year	909
At 31 December 2005	909
Eliminated on disposal of a subsidiary	(909)
Provided for the year	1,136
At 31 December 2006	**1,136**
NET BOOK VALUE	
At 31 December 2006	**4,201**
At 31 December 2005	5,733

17. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to business segment and country of operation. The entire amount of goodwill have been allocated to the toy products trading and manufacturing segment located in Hong Kong:

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period (2005: ten-year period), and a discount rate of 7.8% per annum (2005: 7.8% per annum). In 2006, cash flows for the five-year period were extrapolated using a 10% growth rate, while in 2005, cash flows for the first five-year and the last five-year period were extrapolated using a 10% and zero growth rate, respectively. Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

18. PREPAID LEASE PAYMENTS

Prepaid lease payments represent cost paid for medium-term leasehold land located outside Hong Kong. The cost is amortised over the leasehold period. The amount to be amortised more than twelve months after the balance sheet date amounted to HK$3,327,000 (2005: HK$8,698,000). The amount to be amortised within the next twelve months after the balance sheet date of HK$72,000 (2005: HK$180,000) is included in current assets.

At the balance sheet date, all the leasehold lands were pledged to secure banking facilities granted to a subsidiary of the Group (2005: HK$nil).

19. INTEREST IN SUBSIDIARIES

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	1	1
Equity share-based payment in subsidiaries	1,868	—
	1,869	1
Less: Impairment losses	(1,868)	—
	1	1

In accordance with HKFRS 2 Share-based payment, share-based payment transactions in which an entity receives services from its employees as consideration for equity instruments of the entity are accounted for as equity-settled transactions (see note 2(r)). The Company recognises the grant of equity instruments to its subsidiaries' employees and eligible participants amounted to HK$1,868,000 (2005: HK$nil) as capital contributions to its subsidiaries.

Particulars of the Company's subsidiaries at the balance sheet date, which in the opinion of the directors principally affected the results, assets or liabilities of the Group are set out in note 39 to the financial statements.

20. INVENTORIES

	Group 2006	Group 2005
	HK$'000	*HK$'000*
Raw material	4,866	4,319
Work in progress	1,918	2,115
Finished goods	391	2,333
	7,175	8,767

All inventories, excluding those fully provided for with nil carrying value, are stated at cost.

21. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	*21(a)*	23,006	35,384	—	—
Other receivables					
Deposits, prepayments and other receivables		9,642	10,235	224	198
Due from subsidiaries	*21(b)*	—	—	69,380	70,082
		9,642	10,235	69,604	70,280
		32,648	45,619	69,604	70,280

(a) Trade receivables

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:

	Group 2006	Group 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

(b) Due from subsidiaries

The amounts due are unsecured, interest-free and has no fixed term of repayment.

22. TRADE AND OTHER PAYABLES

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	*22(a)*	20,099	17,617	—	—
Other payables					
Accrued charges and other creditors		17,606	11,987	2,941	950
Due to related companies	*22(b)*	4,827	13,420	—	—
		22,433	25,407	2,941	950
		42,532	43,024	2,941	950

(a) Trade payables

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

	Group	
	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

(b) Due to related companies

The amounts due are unsecured, interest-free and repayable on demand. The related companies are owned and controlled by Mr. Leung Wai Ho and Mr. Wong Chung Shun, directors and shareholders of the Company.

23. INTEREST-BEARING BORROWINGS

		Group	
		2006	2005
	Notes	*HK$'000*	*HK$'000*
Fixed rate loans wholly repayable within five years			
Bank loan, secured	*23(a)*	8,800	—
Loan from a third party, unsecured	*23(b)*	—	3,062
		8,800	3,062
Current portion		8,800	1,750
Non-current portion		—	1,312
		8,800	3,062

Note:

(a) The bank loan is interest-bearing at 7.254% per annum and repayable within 1 year. The loan is secured by certain leasehold land and buildings held by the Group in PRC (see note 16 and note 18) and personal guarantee by Mr. Leung Wai Ho, a director and shareholder of the Company.

(b) The loan was unsecured, interest-bearing at 1.8% per annum and had been fully repaid during the year.

24. OBLIGATIONS UNDER FINANCE LEASES

Group

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable:				
Within one year	2,043	2,043	1,813	1,656
In the second to fifth years inclusive	1,873	3,916	1,801	3,614
	3,916	5,959	3,614	5,270
Future finance charges	(302)	(689)	—	—
Present value of lease obligations	3,614	5,270	3,614	5,270

The average lease term for its plant and equipment under finance leases is 3 years (2005: 3 years). Interest rate underlying all obligations under finance leases is fixed at 8.4% per annum. No arrangements have been entered into for contingent rental payments.

25. DEFERRED TAXATION

At the balance sheet date, the Group has unused tax losses of HK$52,947,000 (2005: HK$23,472,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses will not expire except for HK$22,659,000 (2005: HK$597,000), which will expire if they are not ulitised to set off against the income within five years from the year in which they arose under the current tax legislation.

26. SHARE CAPITAL

	2006		2005	
	Number of shares ’000	*Share capital HK$’000*	*Number of Share ’000*	*Share capital HK$’000*
Authorised:				
Ordinary shares of HK$0.01 each	50,000,000	500,000	50,000,000	500,000
Issued and fully paid:				
At beginning of the year	1,578,540	15,785	1,528,540	15,285
Issue of shares upon conversion of convertible notes *(Note a)*	—	—	50,000	500
Issue of shares upon placement of shares *(Note b)*	300,000	3,000	—	—
Issue of shares upon exercise of share options *(Note c)*	75,142	751	—	—
At balance sheet date	1,953,682	19,536	1,578,540	15,785

Notes:

(a) On 30 September 2004, the Company issued unsecured convertible notes with an aggregate principal amount of HK$2,500,000. The convertible notes bear interest at a rate of 3% per annum. The convertible notes can be converted into ordinary shares in the Company at a conversion price of HK$0.05 per share, subject to adjustment, at the option of noteholders, on any business day after 30 days following the date of issue of the convertible notes and the maturity date is 29 March 2006.

On 3 March 2005, all convertible noteholders exercised their rights to convert the notes into 50,000,000 ordinary shares of the Company at a conversion price of HK$0.05 per share.

(b) Pursuant to a placing and subscription agreement dated 11 October 2006 made between the Company, Charm Management Limited (“Charm”), a substantial shareholder of the Company, and the placing agent, the placing agent agreed to place 300,000,000 ordinary shares in the Company held by Charm at a placing price of HK$0.04 per share. Also, the Company agreed to allot and issue 300,000,000 ordinary shares in the Company to Charm at a subscription price of HK$0.04 per share.

On 25 October 2006, 300,000,000 ordinary shares of HK$0.01 each were issued and allotted to Charm at a consideration of HK$0.04 per share. The net proceeds were used for additional working capital.

(c) During the year ended 31 December 2006, options were exercised for 75,141,600 ordinary shares at the exercise price of HK$0.049 per share under the share option schemes.

All the shares issued during both years rank pari passu with the existing shares of the Company in all respects.

27. RESERVES

Company

	Share premium	Contributed surplus	Convertible notes equity reserve	Share options reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	33,124	49,948	262	—	(27,538)	55,796
Issue of shares upon conversion of convertible notes	2,069	—	(262)	—	—	1,807
Loss for the year	—	—	—	—	(4,018)	(4,018)
At 31 December 2005	35,193	49,948	—	—	(31,556)	53,585
At 1 January 2006	35,193	49,948	—	—	(31,556)	53,585
Issue of shares upon placement of shares	9,000	—	—	—	—	9,000
Equity settled share-based payment transactions	—	—	—	1,868	—	1,868
Issue of shares upon exercise of share options	4,799	—	—	(1,868)	—	2,931
Share issue expense	(144)	—	—	—	—	(144)
Loss for the year	—	—	—	—	(18,165)	(18,165)
At 31 December 2006	**48,848**	**49,948**	**—**	**—**	**(49,721)**	**49,075**

28. CASH USED IN OPERATIONS

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
(Loss) Profit before taxation	(36,457)	12,044
Depreciation of property, plant and equipment	5,336	3,929
Impairment loss recognised in respect of trade and other receivables	1,451	20
Impairment loss on goodwill	1,136	909
Provision for obsolete inventories	1,516	—
Equity settled share-based transactions	1,868	—
Loss on disposal of property, plant and equipment	42	12
Gain on disposal of investments held for trading	—	(2,863)
Gain on disposal of subsidiaries	(355)	(2,593)
Amortisation of prepaid lease payments	182	179
Net exchange (gain) loss	(398)	169
Finance costs	930	103
Interest income	(71)	(45)
Changes in working capital:		
Inventories	16	(6,521)
Trade and other receivables	9,666	(9,078)
Trade and other payables	4,047	1,026
Cash used in operations	(11,091)	(2,709)

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2006, the Group has no major non-cash transaction. In 2005, the major non-cash transactions were as follows:

(a) The Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of lease of HK$6,000,000.

(b) Deposits paid for acquisition of property, plant and equipment of HK$4,330,000 was transferred to set-off the construction cost payable due to the same contractor.

30. SHARE OPTIONS

Pursuant to the resolution passed at a special general meeting held on 17 September 2004, the Company adopted a new share option scheme (the "Scheme"). The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The eligible participants of the Scheme include the Company's or its subsidiaries' executive directors, non-executive directors and employees, and any business consultants, agents, financial or legal advisers and any other persons who the Board consider, at its sole discretion, will contribute or have contributed to the Group.

The grant of share options should be accepted within 30 days from the date of the grant, at a consideration of HK$1, being payable by the grantee upon the acceptance of grant. The options may be exercised at any time within the period commencing from the date of grant of the options and expiring on the date determined by the directors, but in any event such exercise period shall not exceed a period of ten years commencing on the date the relevant option is deemed to be granted.

The exercise price of the share options was determinable by the directors, but was not able to be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's share.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company is not permitted to exceed 127,854,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoings, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12 month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

30. SHARE OPTIONS *(Continued)*

(a) Movements in share options

The following table discloses movements of the Company's share options during the year.

	Date of grant	Exercise period	Exercise price *HK$*	Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2006
				Number of share options				
Directors	1 December 2004	31 December 2004 to 30 December 2006	0.0676	7,671,240	–	–	(7,671,240)	–
Employees	1 December 2004	31 December 2004 to 30 December 2006	0.0676	51,141,600	–	–	(51,141,600)	–
	16 November 2006	16 November 2006 to 15 November 2008	0.0490	–	37,570,800	(37,570,800)	–	–
Others	1 December 2004	31 December 2004 to 30 December 2006	0.0676	43,470,360	–	–	(43,470,360)	–
	16 November 2006	16 November 2006 to 15 November 2008	0.0490	–	37,570,800	(37,570,800)	–	–
				102,283,200	75,141,600	(75,141,600)	(102,283,200)	–
Weight average exercise prices *(HK$)*				0.0676	0.0490	0.0490	0.0676	N/A

The following table discloses movements of the Company's share options during the prior year.

	Date of grant	Exercise period	Exercise price *HK$*	Outstanding at 1.1.2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2005
				Number of share options				
Directors	1 December 2004	31 December 2004 to 30 December 2006	0.0676	7,671,240	–	–	–	7,671,240
Employees	1 December 2004	31 December 2004 to 30 December 2006	0.0676	63,927,000	–	–	(12,785,400)	51,141,600
Others	1 December 2004	31 December 2004 to 30 December 2006	0.0676	43,470,360	–	–	–	43,470,360
				115,068,600	–	–	(12,785,400)	102,283,200
Weight average exercise prices *(HK$)*				0.0676	–	–	0.0676	0.0676

At the balance sheet date, the weighted average remaining contractual life of the Company's share options was nil year (2005: 1 year).

30. SHARE OPTIONS *(Continued)*

(b) Share options exercised during the year

During the year, all share options granted in the year ended 31 December 2006 were exercised at the exercise price of HK$0.049 per share. The weighted average closing price of the shares of the Company at the date of exercise was HK$0.048 per share.

(c) Fair value of share options granted during the year and assumptions

The fair value of the share options granted during the year is HK$0.0249 (2005: HK$nil). The estimate of the fair value of the share options granted is measured based on Black-Scholes pricing model. The inputs into the model were as follows:

Closing price of the shares at the date of grant	HK$0.052
Exercise price	HK$0.049
Expected volatility	78.75%
Risk-free interest rate	6.75%
Option life	2 years
Expected dividend yield	0.00%

The expected volatility was determined by using the historical volatility of the share price of the Company over the previous one year.

The Black-Scholes pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

31. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, this contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

During the year, the total amount contributed by the Group to the relevant retirement benefit schemes are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
MPF Scheme	210	326
State-management retirement benefit schemes	2,152	727
	2,362	1,053

32. DISPOSAL OF SUBSIDIARIES

2005

On 19 November 2005, the Group disposed of its entire interest in a 50.01% owned subsidiary, Unique Force Limited. The disposal was completed on 19 November 2005. On 28 December 2005, the Group also entered into an agreement to dispose of its entire interest in a 70% owned subsidiary, Maple Force Limited. The disposal was completed on 30 December 2005.

2006

On 22 June 2006, the Group disposed of its entire interest in two 51% owned subsidiaries, Thunder Force Limited ("Thunder Force") and Thunder Tech Electronic Co., Limited ("Thunder Tech"). Thunder Force was engaged in trading and manufacturing of electronic components while Thunder Tech was inactive. The Group discontinued its consumer products business at the time of disposal of these subsidiaries on 22 June 2006.

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Net (liabilities) assets disposed of by the Group:		
Property, plant and equipment	96	129
Inventories	60	475
Trade and other receivables	1,854	4,529
Bank balances and cash	292	800
Bank overdrafts	—	(558)
Trade and other payables	(2,446)	(2,387)
	(144)	2,988
Minority interests	(161)	(1,961)
	(305)	1,027
Attributable goodwill	—	1,075
	(305)	2,102
Gain on disposal		
Continuing operations	—	10
Discontinued operation *(Note 11)*	355	2,583
	355	2,593
Total consideration satisfied by cash	50	4,695
Net cash (outflow) inflow arising on disposal:		
Cash consideration	50	4,695
Bank balances and cash disposed of	(292)	(800)
Bank overdrafts disposed of	—	558
	(242)	4,453

The impact of Thunder Force and Thunder Tech on the Group's result and cash flows in the current and prior periods is disclosed in note 11 to the financial statements.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties.

Related party relationship	Nature of transactions	2006	2005
		HK$'000	*HK$'000*
Key management personnel, including directors *(note)*	Compensation		
	Short-term benefits	3,021	3,430
	Post employment benefits	48	48
		3,069	3,478
Companies under common control by executive directors and shareholders of the Company	Administrative expenses paid:		
	— staff welfare	157	—
	— transportation	39	10
	— security	403	—
	— office supplies	—	34
		599	44
	Sales of goods	84	976
	Purchase of goods	—	36
	Transfer of land use right	—	7,500

Note:

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, trade and other payables, interest-bearing borrowings, convertible notes and obligation under finance leases. Details of these financial instruments are disclosed in respective notes and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade and other receivables and trade and other payables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy, However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Fair value interest rate risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group in the current and future years.

The Group is exposed to fair value interest rate risk through the impact of interest rates changes on interest bearing debts and interest bearing cash. The Group does not enter into any derivative instruments to hedge this risk.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group. The Group has adopted procedures extending credit terms to customers and in monitoring its credit risk.

The Group's current credit practices include assessment and valuation of customer's credit reliability and periodic review of their financial status to determine the credit limits to be granted.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet.

As at the balance sheet, the Group has no significant concentration of credit risk, with exposure spread over a number of customers and counterparts.

35. COMMITMENTS

(a) Capital expenditure commitments

At the balance sheet date, the Group had no commitment (2005: HK$1,651,000) in respect of expenditure on property, plant and equipment contracted but not provided for in the financial statements.

(b) Commitments under operating leases

The Group as lessee

Operating lease payments represent rentals payable by the Group for certain of its warehouses and office premises. Leases are negotiated for an average term of two years (2005: two years) and rentals are fixed during the lease period.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	300	483
In the second to fifth year inclusive	157	117
	457	600

The Group as lessor

The Group leases out part of its properties under operating leases with average lease terms of 2 to 3 years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	47	793
In the second to fifth year inclusive	43	793
	90	1,586

36. CONTINGENT LIABILITIES

Group

On 8 October 2004, Mr. Kwok Chin Wing ("Kwok"), a former director of the Company, commenced legal proceedings ("the Action") against the Company in respect of the loans due from two former subsidiaries of the Company, namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK$44.5 million and accrued interest thereof.

The Action is still pending in the High Court of Hong Kong SAR. The Company had already completed discovery of all documentary evidence and exchange of witness statements as to the fact pursuant to the directions of the Court and also obtained Counsel's advice on the pleadings, evidence and merit of defence in the Action. The Company was ready to proceed with the trial of the Action since early 2006.

However, Kwok took out applications in the Action 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 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 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.

Company

At 31 December 2006, the Company had executed an unconditional and irrevocable guarantee to secure banking facilities in respect of a finance lease granted to a subsidiary. The aggregate outstanding balances due by the subsidiary amounted to HK$3,614,000 as at 31 December 2006 (2005: HK$5,270,000).

37. POST BALANCE SHEET EVENTS

(a) On 23 November 2006, the Company entered into an agreement with Sky Hawk International Limited, a third part, to dispose its entire interest in Good Prosper Trading Limited ("GPTL"), a wholly owned subsidiary, and the amounts owed by GPTL to the Company and its subsidiaries that are outstanding at completion of the agreement at a consideration of HK$20 million. The disposal is expected to be completed in May 2007.

(b) On 24 January 2007, the Board proposed to effect the share consolidation ("Share Consolidated") on the basis that every five issued and unissued shares of HK$0.01 each will be consolidated into two consolidated shares of HK$0.025 each ("Consolidated Share"). The Share Consolidation was approved by the shareholders of the Company in the special general meeting held on 5 March 2007 ("SGM") and the Share Consolidation was effective from 6 March 2007. Details of the Share Consolidation are set out in the circular issued by the Company dated 14 February 2007.

37. POST BALANCE SHEET EVENTS *(Continued)*

(c) On 24 January 2007, the Company entered into a conditional share placing agreement with Hani Securities (H.K.) Limited ("Placing Agent") whereby the Placing Agent agreed to place up to 340,000,000 new Consolidated Shares at a price of HK$0.10 per Consolidated Share to placees who are independent third parties procured by the Placing Agent. Of those Consolidated Shares, the Placing Agent has agreed to place 150,000,000 new Consolidated Shares on a fully underwritten basis, with the balance of up to 190,000,000 new Consolidated Shares to be placed on a best effort basis. The net proceeds from the share placing amounted to approximately HK$33 million. The share placing was approved by the shareholders of the Company in the SGM.

220,000,000 new Consolidated Shares and 120,000,000 new Consolidated Shares were issued and allotted to HKSCC Nominees Limited at a consideration of HK$0.10 per Consolidated Share on 14 March 2007 and 11 April 2007 respectively. The net proceeds of approximately HK$33 million will be used as additional working capital and for future investment opportunities for the Group. These shares rank pari passu with the existing shares of the Company in all respects.

(d) On 24 January 2007, the Company entered into a conditional note placing agreement with the Placing Agent whereby the Placing Agent would procure, on a best effort basis, subscribers to subscribe for the convertible notes in the aggregate principal amount of up to HK$34 million to be issued by the Company ("Convertible Notes") which carrying right to convert into shares of the Company at a conversion price of HK$0.10 per Consolidated Share (subject to adjustments). The net proceeds from the note placing will amount to approximately HK$33.6 million and will be used as additional working capital and for future investment opportunities for the Group. The issue of Convertible Notes and note placing were approved by the shareholders of the Company in the SGM. Details of which are set out in the circular issued by the Company dated 14 February 2007.

(e) On the 16 April 2007, Prosper Overseas Limited ("POL"), a wholly owned subsidiary of the Company entered into an agreement with Innovative Sonic International Limited, a company which is beneficially owned and controlled by Mr. Leung Wai Ho and Mr. Wong Chung Shun, both are directors and substantial shareholders of the Company, to dispose of its entire interest in GFT Holding Limited and the rights of and benefits in the total amount of loans or advances outstanding and owing from Great Force Technology Limited, one of the subsidiaries of GFT Holding Limited, to POL as at the date of completion of the agreement at a consideration of HK$2.00. The disposal is conditional upon (a) the approval by independent shareholders at a special general meeting; (b) the release by the banks of the obligation of the Company as a corporate guarantor under the existing banking facilities granted to GFT Holding Limited group; and (c) all necessary consents being granted by third parties. Details of disposal are set out in the announcement issued by the Company dated 17 April 2007.

38. COMPARATIVE FIGURES

Certain comparative figures, particularly relate to discontinued operation, have been reclassified to conform to the current year's presentation.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and paid-up share capital/ registered capital	Proportion ownership interest held by the Company		Principal activities
				Directly	Indirectly	
Capital Prosper Limited	Hong Kong	Hong Kong	HK$2 ordinary share	100%	—	Inactive
GFT Group Limited	British Virgin Islands	PRC	US$1 ordinary share	—	100%	Inactive
GFT Holding Limited	British Virgin Islands	Hong Kong	US$640,000 ordinary share	—	100%	Investment holding
GFT International (Macao Commercial Offshore) Limited	Macau	Macau	MOP100,000 quota share	—	100%	Trading of electronic toys
Good Prosper Trading Limited	British Virgin Islands	Hong Kong	US$1 ordinary share	100%	—	Securities trading and investment
Great Force Technology Limited	Hong Kong	Hong Kong	HK$2 ordinary share	—	100%	Investment holding
New Challenge Limited	Hong Kong	Hong Kong	HK$1,000,000 ordinary share	—	85%	Research and development of toy products and provision of marketing services
Prosper Overseas Limited	Hong Kong	Hong Kong	HK$2 ordinary share	100%	—	Investment holding
Prosper Services Limited	Hong Kong	Hong Kong	HK$2 ordinary share	100%	—	Provision of management services to the Group

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and paid-up share capital/ registered capital	Proportion ownership interest held by the Company		Principal activities
				Directly	Indirectly	
Sky Union (Far East) Limited	Hong Kong	Hong Kong	HK$4 ordinary share	—	100%	Investment holding
Yanyan Force Limited	Hong Kong	Hong Kong	HK$100 ordinary share	—	60%	Trading of toys, gifts and premiums
Wiz Limited	Hong Kong	Hong Kong	HK$1 ordinary share	100%	—	Provision of management services to the Group
宏科電子(惠州)有限公司 *(Note)*	PRC	PRC	HK$27,898,000 paid-up capital	—	100%	Manufacturing and sales of toys
天源(惠州) 電子有限公司 *(Note)*	PRC	PRC	US$4,200,000 paid-up capital	—	100%	Investment in land
博羅縣天河電子有限公司 *(Note)*	PRC	PRC	RMB500,000 paid-up capital	—	100%	Investment in land
博羅縣天興電子有限公司 *(Note)*	PRC	PRC	RMB500,000 paid-up capital	—	100%	Investment in land

Note: These companies are wholly foreign-owned enterprise established in the PRC.

None of these subsidiaries had issued any debt securities at the end of the year or at any time during the year.

3. UNAUDITED INTERIM RESULTS

Set out below is a summary of the unaudited consolidated financial statements of the Group together with the relevant notes to the accounts as extracted from the interim report of the Company for the six months ended 30 June 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2007

		Six months ended 30 June	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited and restated)
Continuing operations			
Turnover	*3*	69,345	52,809
Cost of sales		(68,408)	(49,370)
Gross profit		937	3,439
Other income		851	521
Distribution costs		(857)	(2,513)
Administrative expenses		(12,644)	(10,754)
Loss on assignment of an amount due from a subsidiary	*6(b)*	(68,599)	—
Gain on disposal of subsidiaries	*14*	20,343	—
Finance costs	*6(a)*	(408)	(394)
Loss before taxation		(60,377)	(9,701)
Taxation	*4*	—	—
Loss for the period from continuing operations		(60,377)	(9,701)
Discontinued operation			
Loss for the period from discontinued operation	*5*	—	(68)
Loss for the period	*6*	(60,377)	(9,769)
Attributable to:			
Equity holders of the Company		(59,831)	(9,512)
Minority interests		(546)	(257)
Loss for the period		(60,377)	(9,769)
Loss per share	*8*		
From continuing and discontinued operations			
Basic		(6.17 cents)	(1.51 cents)
From continuing operations			
Basic		(6.17 cents)	(1.50 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Notes	30 June 2007 HK$'000 (unaudited)	31 December 2006 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	240	52,551
Goodwill		4,201	4,201
Prepaid lease payments		—	3,327
Club debenture		—	220
		4,441	60,299
Current assets			
Inventories		—	7,175
Trade and other receivables	*11*	32,128	32,648
Current portion of prepaid lease payments		—	72
Bank balances and cash		16,545	7,136
Tax recoverable		516	196
		49,189	47,227
Non-current assets classified as held for sale	*9*	—	19,127
		49,189	66,354
Current liabilities			
Trade and other payables	*12*	10,202	42,532
Current portion of interest-bearing borrowings		—	8,800
Current portion of obligations under finance leases		—	1,813
		10,202	53,145
Liabilities associated with non-current assets classified as held for sale	*9*	—	2,093
		10,202	55,238
Net current assets		38,987	11,116
Total assets less current liabilities		43,428	71,415

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
At 30 June 2007

	Notes	**30 June 2007** *HK$'000* (unaudited)	**31 December 2006** *HK$'000* (audited)
Non-current liabilities			
Long-term obligations under finance leases		—	1,801
		—	1,801
NET ASSETS		43,428	69,614
Capital and reserves			
Share capital	*13*	28,367	19,536
Reserves		14,216	48,616
Equity attributable to equity holders of the Company		42,583	68,152
Minority interests		845	1,462
TOTAL EQUITY		43,428	69,614

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	Share options reserve	Translation reserve	Accumulated profits (losses)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	15,785	35,193	2,099	—	1,399	31,170	85,646	1,546	87,192
Exchange difference on translation of financial statements of overseas subsidiaries recognised directly in equity	—	—	—	—	(354)	—	(354)	—	(354)
Released on disposal of subsidiaries	—	—	—	—	—	—	—	(161)	(161)
Loss for the period	—	—	—	—	—	(9,512)	(9,512)	(257)	(9,769)
At 30 June 2006	15,785	35,193	2,099	—	1,045	21,658	75,780	1,128	76,908
At 1 January 2007	19,536	48,848	2,099	—	3,109	(5,440)	68,152	1,462	69,614
Released on disposal of subsidiaries	—	—	—	—	(3,109)	—	(3,109)	(71)	(3,180)
Loss for the period	—	—	—	—	—	(59,831)	(59,831)	(546)	(60,377)
Issue of shares upon placement of shares	8,500	25,500	—	—	—	—	34,000	—	34,000
Equity settled share-based payment transactions	—	—	—	2,282	—	—	2,282	—	2,282
Issue of shares upon exercise of share options	331	2,435	—	(913)	—	—	1,853	—	1,853
Share issue expense	—	(764)	—	—	—	—	(764)	—	(764)
At 30 June 2007	28,367	76,019	2,099	1,369	—	(65,271)	42,583	845	43,428

The capital reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the aggregate of the nominal value of the issued share capital of a former subsidiary which was acquired by the Company pursuant to a group reorganisation in 1994 to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2007

	Six months ended 30 June 2007	2006
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	(29,877)	(178)
Net cash used in investing activities	(4,079)	(2,858)
Net cash from financing activities	43,294	7,786
Net increase in cash and cash equivalents	9,338	4,750
Cash and cash equivalents at beginning of the period	7,207	6,044
Cash and cash equivalents at end of the period, represented by bank balances and cash	16,545	10,794

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2006.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in preparing these condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2006.

3. SEGMENT INFORMATION

Business segments

During the six months ended 30 June 2007, the Group is principally engaged in toy products trading and manufacturing. An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30 June 2007		
	Toy products trading and manufacturing *(Note a)*	**Securities trading and investments** *(Note b)*	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	69,345	—	69,345
Segment results	(76,245)	—	(76,245)
Other income			134
Unallocated operating expenses			(4,201)
Gain on disposal of subsidiaries			20,343
Finance costs			(408)
Loss before taxation			(60,377)
Taxation			—
Loss for the period			(60,377)

3. **SEGMENT INFORMATION** *(Continued)*

	Six months ended 30 June 2006 (restated)				
	Continuing operations			Discontinued operation	
	Toy products trading and manufacturing	Securities trading and investments *(Note b)*	Total	Consumer products trading and manufacturing *(Note c)*	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	52,809	—	52,809	2,547	55,356
Segment results	(6,801)	—	(6,801)	(423)	(7,224)
Other income			52	—	52
Unallocated operating expenses			(2,924)	—	(2,924)
Gain on disposal of subsidiaries			—	355	355
Finance costs			(28)	—	(28)
Loss before taxation			(9,701)	(68)	(9,769)
Taxation			—	—	—
Loss for the period			(9,701)	(68)	(9,769)

Notes:

(a) Upon the disposal of GFT Holding Limited and its subsidiaries, the operation of manufacturing of toy products was terminated in June 2007.

(b) The operation of securities trading and investments has been dormant since May 2005.

(c) The consumer products trading and manufacturing operation was discontinued in June 2006.

Geographical segments

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

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Japan	42,277	25,595
People's Republic of China ("PRC")	13,594	13,152
Hong Kong	9,465	11,002
Taiwan	1,362	3,461
Singapore	932	721
Europe	830	917
Others	885	508
	69,345	55,356

4. TAXATION

No provision for Hong Kong Profits Tax or tax in other jurisdictions has been made for the six months ended 30 June 2007 as neither the Company nor any of its subsidiaries had any assessable profit subject to tax during the period (six months ended 30 June 2006: nil).

No deferred tax asset has been recognised in respect of the unused tax losses of the Group due to the unpredictability of future profit streams.

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 results of the discontinued operation up to the date of disposal are as follows:

	Six months ended 30 June 2006 *HK$'000*
Loss for the period from discontinued operation	
Revenue	2,547
Gain on disposal of subsidiaries	355
Expenses	(2,970)
Loss before taxation	(68)
Taxation	—
Loss for the period from discontinued operation	(68)

6. LOSS FOR THE PERIOD

(a) This is stated after charging (crediting):

	Six months ended 30 June	
	2007 *HK$'000*	**2006** *HK$'000*
Finance costs		
Interest on bank loans and other borrowings wholly repayable within five years	314	181
Finance charges on obligations under finance leases	94	213
Other items		
Cost of inventories	68,408	51,447
Depreciation on property, plant and equipment	1,925	2,649
Amortisation on prepaid lease payments	63	94
Interest income	(96)	(20)

(b) The amount represented the loss on assignment of an amount due from Great Force Technology Limited, one of the subsidiaries of GFT Holding Limited, upon the disposal of GFT Holding Limited during the six months ended 30 June 2007 (details of which is set out in Note 14).

7. DIVIDENDS

No dividends were paid during the period. The Board does not recommend payment of interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

8. 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:

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Loss for the period attributable to equity holders of the Company for the purpose of basic loss per share	(59,831)	(9,512)
	Number of shares '000	*Number of shares '000* (restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	969,013	631,416

Notes:

The number of shares for the six months ended 30 June 2007 was 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.

No diluted loss per share has been presented as the exercise of the share options would result in decrease on loss per share.

8. **LOSS PER SHARE** *(Continued)*

(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:

	Six months ended 30 June 2007	2006
	HK$'000	*HK$'000*
Loss for the period attributable to equity holders of the Company	(59,831)	(9,512)
Less: Loss for the period from discontinued operation	—	67
Loss for the purpose of basic loss per share from continuing operations	(59,831)	(9,445)

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

(c) **For discontinued operation**

Basic loss per share for discontinued operation for the six months ended 30 June 2006 is HK0.01 cent per share, based on loss for the period from the discontinued operation of HK$67,000 and the denominators detailed above for the basic loss per share from continuing and discontinued operations.

9. **NON-CURRENT ASSETS HELD FOR SALE**

On 23 November 2006, the Company entered into an agreement with an independent third party to dispose of all its equity interest in Good Prosper Trading Limited ("GPTL") and its subsidiaries ("GPTL Group") and the amount due from GPTL for an aggregate consideration of HK$20,000,000. The principal assets held by GPTL Group are land use rights in respect of parcels of land situated in the PRC. The assets and liabilities of GPTL Group were classified as held for sale as at 31 December 2006. The disposal was completed on 28 June 2007 with a deferred consideration of HK$16,000,000, details of which is set out in Note 11(b).

10. **PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2007, the Group, through the disposal of its subsidiaries, disposed certain property, plant and equipment with an aggregate carrying value of approximately HK$50,477,000. There is no addition of property, plant and equipment during the six months ended 30 June 2007 (six months ended 30 June 2006: HK$2,242,000).

11. TRADE AND OTHER RECEIVABLES

	Notes	**30 June 2007** *HK$'000*	**31 December 2006** *HK$'000*
Trade receivables	(a)	11,141	23,006
Other receivables			
Deposits, prepayments and other receivables		4,987	9,642
Promissory note receivable	(b)	16,000	—
		20,987	9,642
		32,128	32,648

(a) The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The ageing analysis of trade receivables as of the balance sheet date is as follows:

	30 June 2007 *HK$'000*	**31 December 2006** *HK$'000*
0 to 60 days	10,074	10,851
61 to 90 days	342	3,803
Over 90 days	725	8,352
	11,141	23,006

(b) The amount represents the deferred consideration receivable from Sky Hawk International Limited, the purchaser of GPTL. The amount due is interest free, due on 31 December 2007 and secured by the entire issued share capital of GPTL.

12. TRADE AND OTHER PAYABLES

	30 June 2007 *HK$'000*	31 December 2006 *HK$'000*
Trade payables	2,034	20,099
Other payables		
Accrued charges and other creditors	6,608	17,606
Due to related companies	1,560	4,827
	8,168	22,433
	10,202	42,532

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

	30 June 2007 *HK$'000*	31 December 2006 *HK$'000*
0 to 60 days	854	5,540
61 to 90 days	117	836
Over 90 days	1,063	13,723
	2,034	20,099

13. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Authorised:		
Ordinary shares		
At 1 January 2006 and 31 December 2006, at HK$0.01 each	50,000,000	500,000
Share consolidation *(note a)*	(30,000,000)	—
At 30 June 2007, at HK$0.025 each	20,000,000	500,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2006, at HK$0.01 each	1,578,540	15,785
Issue of shares upon placing of shares *(note b)*	300,000	3,000
Issue of shares upon exercise of share options *(note c)*	75,142	751
At 31 December 2006, at HK$0.01 each	1,953,682	19,536
Share consolidation *(note a)*	(1,172,209)	—
Issue of shares upon placing of shares *(note d)*	340,000	8,500
Issue of shares upon exercise of share options *(note e)*	13,234	331
At 30 June 2007, at HK$0.025 each	1,134,707	28,367

Notes:

(a) Pursuant to a special resolution passed in a special general meeting of the Company on 5 March 2007, every five issued and unissued shares of HK$0.01 each in the capital of the Company were consolidated into two shares of HK$0.025 each (the "Shares") with effect from 6 March 2007.

(b) Pursuant to a placing and subscription agreement dated 11 October 2006, the placing agent agreed to place 300,000,000 shares of the Company held by Charm Management Limited ("Charm"), a substantial shareholder of the Company, at a placing price of HK$0.04 per share. The Company also agreed to allot and issue 300,000,000 shares of the Company to Charm at a subscription price of HK$0.04 per share. On 25 October 2006, 300,000,000 shares of HK$0.01 each were issued and allotted to Charm at a consideration of HK$0.04 per share.

(c) During the year ended 31 December 2006, 75,141,600 shares of HK$0.01 each were issued and allotted at the exercise price of HK$0.049 per share pursuant to the options granted under the share option scheme of the Company.

(d) Pursuant to a placing agreement dated 24 January 2007 (as amended by a supplemental agreement dated 9 February 2007), 220,000,000 Shares and 120,000,000 Shares were issued and allotted at a consideration of HK$0.10 per Share on 14 March 2007 and 11 April 2007 respectively.

(e) During the six months ended 30 June 2007, 13,233,984 Shares were issued and allotted at the exercise price of HK$0.14 per Share pursuant to the options granted under the share option scheme of the Company.

All the Shares issued during the period rank pari passu with the existing Shares in all respect.

14. DISPOSAL OF SUBSIDIARIES

On 22 June 2006, the Group disposed of its entire interest in two 51% owned subsidiaries, Thunder Force Limited and Thunder Tech Electronic Co., Limited. The Group discontinued its consumer products business at the time of disposal of these subsidiaries on 22 June 2006.

On 28 June 2007, the Group disposed of its entire interest in GFT Holding Limited and its subsidiaries which were principally engaged in the manufacturing and trading of toy products. Upon the disposal, the Group ceased its operation of manufacturing of toy products.

The disposal of GPTL Group (details of which is set out in Note 9) was completed on 28 June 2007.

	Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Net liabilities disposed of by the Group	(14,455)	(144)
Minority interests	(71)	(161)
Translation reserve released	(3,109)	—
	(17,635)	(305)
Gain on disposal of subsidiaries		
Continuing operations	20,343	—
Discontinued operation *(Note 5)*	—	355
Total consideration satisfied by cash	2,708	50
Net cash outflow arising on disposal:		
Cash consideration	2,708	50
Bank balances and cash disposed of	(6,884)	(292)
	(4,176)	(242)

15. RELATED PARTIES TRANSACTIONS

The Group had the following transactions with related parties:

Related party relationship	Nature of transactions	Six months ended 30 June 2007	2006
		HK$'000	*HK$'000*
Companies under common control by executive directors and shareholders of the Company	Administrative expenses paid:		
	— security	155	283
	— staff welfare	128	—
	— transportation	52	9
		335	292
	Sales of goods	—	84

16. CONTINGENT LIABILITIES

On 8 October 2004, Mr. Kwok Chin Wing ("Kwok"), a former director of the Company, commenced legal proceedings against the Company in respect of the loans due from two former subsidiaries of the Company, namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK$44.5 million and accrued interest thereof (the "Action").

The Action is still pending in the High Court of Hong Kong SAR. The Company had already completed discovery of all documentary evidence and exchange of witness statements as to the fact pursuant to the directions of the Court and also obtained Counsel's advice on the pleadings, evidence and merit of defence in the Action. The Company was ready to proceed with the trial of the Action since early 2006.

However, Kwok took out applications in the Action 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. The newly joined party has filed his Defence to Kwok's claims in the Action and the Company has also made consequential amendments to its Defence. The parties are now working on the proper directions 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 of their advice previously delivered to the Company. With the benefit of the advice of Solicitors and Counsel acting for the Company, the directors of the Company formed the opinion that 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.

17. POST BALANCE SHEET EVENTS

(a) On 24 January 2007, the Company entered into a note placing agreement (as amended by the supplemental note placing agreement dated 9 February 2007 and the second supplemental note placing agreement dated 28 May 2007) whereby the placing agent agreed to procure subscribers to subscribe for the convertible notes in an aggregate principal amount of HK$34,000,000 to be issued by the Company (the "Convertible Notes"). The issue of the Convertible Notes was approved by the shareholders of the Company in special general meetings held on 5 March 2007 and 28 June 2007. The Convertible Notes were issued on 23 July 2007 and are interest free, due on 23 July 2009 and carrying right to convert the outstanding principal amount into Shares at a conversion price of HK$0.10 per Share (subject to adjustments). Details of the Convertible Notes are set out in the circulars dated 14 February 2007 and 11 June 2007 issued by the Company.

On 9 August 2007, holder of the Convertible Notes with principal amount of HK$10,000,000 exercised the conversion rights and 100,000,000 Shares were issued and allotted in accordance with the terms of the Convertible Notes.

(b) On 14 August 2007, the Company entered into a placing and subscription agreement with Charm and Kingston Securities Limited ("Kingston") whereby Kingston agreed to place 70,000,000 Shares held by Charm at a placing price of HK$0.128 per Share and the Company agreed to allot and issue 70,000,000 Shares to Charm at a subscription price of HK$0.128 per Share (the "Top-up Placing"). On 20 August 2007, 70,000,000 Shares were issued and allotted to Charm. The net proceeds will be used for general working capital purpose.

On the same date, the Company entered into a conditional placing agreement with Kingston whereby Kingston agreed to place up to 150,000,000 new Shares of the Company on a best effort basis at a placing price of HK$0.128 per Shares (the "Placing"). The Placing has yet been completed at the date of this Report but, if all the conditions stipulated in the placing agreement would be fulfilled, shall be completed on or before 28 September 2007 or such later date as may be agreed between the Company and Kingston.

Details of the Top-up Placing and the Placing are set out in the announcement of the Company dated 14 August 2007.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

4. INDEBTEDNESS

STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the borrowings and contingent liabilities of the Group, apart from intra-group liabilities, are as follows:

Borrowings

As at 30 September 2007, the Group had outstanding indebtedness of liability component of convertible bonds of approximately HK$21.2 million. The principal amount of these convertible bonds outstanding as at 30 September 2007 was HK$24 million.

Contingent liabilities

On 8 October 2004, Mr. Kwok Chin Wing ("Kwok"), a former director of the Company, commenced legal proceedings against the Company in respect of the loans due from two former subsidiaries of the Company, namely, Rockapetta Industrial Company Limited and Grand Extend Investment Limited, for a sum of approximately HK$44.5 million and accrued interest thereof ("the Action").

The Action is still pending in the High Court of Hong Kong SAR. The Company had already completed discovery of all documentary evidence and exchange of witness statements as to the fact pursuant to the directions of the Court and also obtained Counsel's advice on the pleadings, evidence and merit of defence in the Action. The Company was ready to proceed with the trial of the Action since early 2006.

However, Kwok took out applications in the Action 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 of the Action for trial.

The Amendment Application and the Joinder Application were granted by the Court on 19 April 2007. The newly joined party has filed his Defence to Kwok's claims in the Action and the Company has also made consequential amendments to its Defence. The parties are now working on the proper directions 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 Solicitors and Counsel acting for the Company, the directors of the Company formed the opinion that 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.

Capital commitments

The Group had no capital commitments as at 30 September 2007.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 September 2007, the Group did not have any loan capital (issued and outstanding, or agreed to be issued), bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Group since 30 September 2007.

5. WORKING CAPITAL

The Directors are of the opinions that after taking into account the financial resources available to the Group including internally generated funds, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular, in the absence of unforeseen circumstances.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review for the six months ended 30 June 2007

The Group continues its streamlining process during the review period. Following the discontinuation of the secondary consumer products business last year, the Group successfully discarded its unused assets and underperformed investments in June 2007. The process is inevitably painful as the Group suffered from substantial losses and downsizing but is justified as the management and financial resources of the Group were relieved from those detrimental businesses to viable operations.

Come with the streamlining exercise, the Group ceased to have any contribution from the consumer products trading and manufacturing segment and remains inactive in the securities trading and investments segment. Toy products trading and manufacturing thus became the only active segment in the review period. Turnover in this segment boosted by 31.3% to HK$69.3 million when compared with last corresponding period as the subsidiary which engages in the trading of toy, gift and premium successfully secured certain new customers with sizable orders during the review period.

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 (the "GPTL Disposal") to an independent third party, Sky Hawk International Limited ("Sky Hawk"), for an aggregate consideration of HK$20 million. HK$2 million was paid by Sky Hawk upon signing of the agreement and the balance was to be settled on completion.

However, at the request of Sky Hawk, the payment terms for the outstanding consideration of HK$18 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 million and delivered to the Company a promissory note with a principal amount of HK$16 million which is interest free, due on 31 December 2007 and secured by the entire issued share capital of GPTL ("PN") on 28 June 2007, the completion date.

The deferred consideration payable by Sky Hawk in HK$16 million constitutes an advance to an entity under Rule 13.13 of Listing Rules. Details of the GPTL Disposal and the terms of the PN are set out in the circular dated 11 December 2006 and the announcement dated 29 June 2007 issued by the Company.

GFT Holding Limited

On 16 April 2007, the Group entered into an agreement to dispose of its entire interest in and amount due from GFT Holding Limited and its subsidiaries (the "Disposal 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, the then Chairman of the Company, and then Mr. Wong Chung Shun, the Deputy Chairman of the Company, at an aggregate consideration of HK$2 (the "GFT Disposal").

The 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.

The 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.

Review of Results

The Group reported revenue of approximately HK$69.3 million for the six months ended 30 June 2007, representing an increase of HK$16.5 million or 31.3% when compared with that of last corresponding period. The surge is attributable to the increased orders from both the existing and new customers of the trading of toy, gift and premium business during the review period.

Nevertheless, the unfavourable factors hampering the toy manufacturing operation in the PRC, including the lasting inflation in wages and material costs and the appreciation of Renminbi, kept on eroding the margin and profits of the Group before its disposal during the review period. The profits margin was at a low level of approximately HK$0.9 million, being a drop of HK$2.5 million when compared with same period in last year.

The Group maintained to keep the expenses at a relatively consistent level. However, because of the GPTL Disposal and GFT Disposal, the Group wrote off of an amount due from the disposed subsidiary of HK$68.6 million which was partially covered by the associated gain from disposal of subsidiaries of HK$20.3 million. The fair value of the share options granted during the period of HK$2.3 million as computed and recognized as an expense under the provisions of new accounting standard was another item not appearing in last review period. Consequently, the Group suffered from loss attributable to equity holders of HK$59.8 million for the six months ended 30 June 2007.

Liquidity and Financial Resources

Following the GPTL Disposal and GFT Disposal, the Group ceased to have any borrowings as at 30 June 2007 (31 December 2006: total borrowings of HK$12.4 million, including a secured bank loan of approximately HK$8.8 million and obligations under finance leases of HK$3.6 million, of which HK$10.6 million was repayable within one year).

Subsequent to the period end, the Group issued convertible notes in an aggregate principal amount of HK$34.0 million (the "Convertible Notes") on 23 July 2007. The Convertible Notes are interest-free, due on 23 July 2009 and carrying rights to convert the outstanding principal amounts into shares of the Company at a conversion price of HK$0.1 per share (subject to adjustments).

The Group maintained sufficient working capital as at 30 June 2007 with net current assets of HK$39.0 million (31 December 2006: HK$11.1 million) and bank balances and cash of HK$16.5 million (31 December 2006: HK$7.1 million). Gearing ratio, expressed as the percentage of total liability over equity attributable to equity holders of the Company, of the Group was 24.0% (31 December 2006: 83.7%).

Charges on Assets

As at 30 June 2007, none of the Group's assets was under charges (31 December 2006: certain building, land use right and plant and machinery with carrying values of HK$38.0 million, HK$3.4 million and HK$4.8 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 ("Kwok"), 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 all documentary evidence and exchange of witness statements and was ready to proceed with the trial since early 2006. However, 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. The newly joined party has filed his Defence to Kwok's claims in the Action and the Company has also made consequential amendments to its Defence. The parties are now working on the proper directions 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 of their advice previously delivered to the Company. With the benefit of the advice of solicitors and counsel acting for the Company, the directors of the Company formed the opinion that 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 30 June 2007, the Group had 11 employees (30 June 2006: approximately 2,200). The substantial decrease in the number of staff during the review period is attributable to the disposal of the Disposal Group (as detailed in the section under the heading "Material Disposal of Subsidiaries") which employes over 2,000 workers and staff 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 recognise the outstanding employees.

8. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After the GPTL Disposal and GFT Disposal, the Group has asset base with greater flexibility and currently focuses on the trading of toy, gift and premium. The management is cautiously optimistic on this business as, on one hand, it is a niche in which the management team has proven record and able to secure more orders from both new and existing customers even in this tough market conditions. But, on the other hand, the market remains competitive and the involvement of the historic low cost PRC suppliers which in turn suffer from the persisting unfavourable factors in the PRC still poses awful concerns to the Group.

Equipped with the fund raised from recent new share placements and convertible note placement, the management is diligently searching for promising strategic investments with attractive potential of growth and profitability and is confident that the Group will sail through the difficult period and poise to embark on the next era of expansion and prosperity.

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as at 30 June 2007, as set out in Appendix I to this circular, as if it had taken place on 30 June 2007. The unaudited pro forma statement of consolidated net tangible assets has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The unaudited pro forma statement of consolidated net tangible assets of the Group as at 30 June 2007 is based on the net tangible assets of the Group as at 30 June 2007 as extracted from the published unaudited interim results of the Group as of 30 June 2007 as set out in Appendix I to this circular and the adjustments described below.

	Scenario I - No conversion of Convertible Notes 2009 before Record Date *HK$'000*	**Scenario II - Full conversion of Convertible Notes 2009 before Record Date** *HK$'000*
Unaudited consolidated net assets as at 30 June 2007	43,428	43,428
Less: Intangible assets — Goodwill	(4,201)	(4,201)
Adjusted unaudited consolidated net tangible assets as at 30 June 2007	39,227	39,227
Full conversion of Convertible Notes 2009	—	24,000
	39,227	63,227
Estimated net proceeds from the Rights Issue (based on 3,973,672,800/ 4,693,672,800 Rights Shares to be issued) *(Note 1)*	145,980	172,656
Unaudited pro forma consolidated net tangible assets after completion of Rights Issue	185,207	235,883
Unaudited consolidated net tangible assets per Share before completion of Rights Issue *(Note 2)*	HK3.46 cents	HK3.46 cents
Unaudited pro forma consolidated net tangible assets per Share after completion of Rights Issue *(Note 3)*	HK3.63 cents	HK3.89 cents

Notes:

(1) The estimated gross proceeds from the Rights Issue, which was calculated based on 3,973,672,800 Rights Shares and 4,693,672,800 Rights Shares to be issued at a subscription price of HK$0.038 per Rights Share, are approximately HK$151,000,000 for Scenario I and HK$178,360,000 for Scenario II respectively. Estimate expenses associated with the Rights Issue are to be approximately HK$5,020,000 and HK$5,704,000, resulting in an estimated net proceeds from the Rights Issue of approximately HK$145,980,000 and HK$172,656,000 for Scenario I and Scenario II respectively.

(2) The calculation of the unaudited consolidated net tangible assets per Share before completion of Rights Issue is based on 1,134,706,624 Shares in issue as at 30 June 2007.

(3) The calculation of the unaudited pro forma consolidated net tangible assets per Share after completion of Rights Issue is based on 5,108,379,424 Shares (1,134,706,624 Shares in issue as at 30 June 2007 plus 3,973,672,800 Shares to be issued upon the Rights Issue) in issue after Rights Issue with no conversion of Convertible Notes 2009 for Scenario I and 6,068,379,424 Shares (1.134,706,624 Shares in issue as at 30 June 2007 plus 240,000,000 Shares upon full conversion of Convertible Notes 2009 and 4,693,672,800 Shares to be issued upon the Rights Issue) in issue after Rights Issue with full conversion of Convertible Notes 2009 before the Record Date for Scenario II.

(4) The number of Shares in issued has been increased by 189,850,976 from 1,134,706,624 as at 30 June 2007 to 1,324,557,600 as at the Latest Practicable Date. This increase in the number of issued Shares comprises (i) the issue of an aggregate of 19,850,976 new Shares pursuant to the exercise of the share options of the Company by the holders of these options during this period; (ii) the issue of 100,000,000 new Shares on 9 August 2007 pursuant to the exercise of the conversion rights attaching to the Convertible Notes 2009 with a principal amount HK$10 million (out of a total principal amount of HK$34 million raised pursuant to the placing as announced by the Company on 26 January 2007, details of which can be referred to the section headed "Fund raising activities in the past twelve months" in the Letter from the Board in this circular) at a conversion price of HK$0.1 per Share ; and (iii) the issue of 70,000,000 new Shares on 20 August 2007 pursuant to a top-up placing as announced by the Company on 14 August 2007 to raise a net proceeds of approximately HK$8.6 million for general working capital of the Group. However, for the purpose of calculating the relevant figures of the net tangible assets per Share in notes (2) and (3) above, such increase in the number of issued Shares has not been included.

2. LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report from Moores Rowland, the auditors of the Company, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.

Moores Rowland
摩斯倫 會計師事務所

1 November 2007

The Directors
GFT Holdings Limited

Dear Sirs,

We report on the unaudited pro forma statement of consolidated net tangible assets of GFT Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed Rights Issue of shares on the basis of three right shares for every existing share held on the Record Date, might have affected the consolidated net tangible assets of the Group presented, for inclusion in Section 1 of Appendix II of the circular of the Company dated 1 November 2007 (the "Circular"). The basis of preparation of the unaudited pro forma statement of consolidated net tangible assets is set out in Section 1 of Appendix II of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma statement of consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma statement of consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of consolidated net tangible assets is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2007 or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma statement of consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Moores Rowland
Chartered Accountants
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming no conversion rights of the Convertible Notes 2009 are exercised on or before the Record Date) were as follows:

Authorised:		*HK$*
20,000,000,000	Shares of HK$0.025 each	500,000,000
Issued and to be issued:		
1,324,557,600	Shares in issue as at the Latest Practicable Date	33,113,940
3,973,672,800	Rights Shares to be allotted and issued under the Rights Issue	99,341,820
5,298,230,400	Shares in issue immediately after completion of the Rights Issue	132,455,760

All of the Rights Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, a principal amount of HK$24,000,000 of the Convertible Notes 2009 was outstanding and carrying right to convert the outstanding principal amount into 240,000,000 Shares at a conversion price of HK$0.10 per Share (subject to adjustment). Save for the above, the Company has no derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

Save as disclosed above, the Company did not have any other opinions, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives

As at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following persons (other than a director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

(i) long position in Shares

Name	Capacity and nature of interest	Number of Shares held	Approximate percentage of shareholding
Tse Cho Tseung	Directly beneficially owned	141,224,000 *(Note 1)*	10.66% *(Note 2)*
Honeylink Agents Limited *(Note 3)*	Through controlled corporation	4,693,672,800	75.00% *(Note 4)*
Get Nice Holdings Limited *(Note 3)*	Through controlled corporation	4,693,672,800	75.00% *(Note 4)*
Get Nice Incorporated *(Note 3)*	Through controlled corporation	4,693,672,800	75.00% *(Note 4)*
Get Nice Investment Limited *(Note 3)*	Directly beneficially owned	4,693,672,800	75.00% *(Note 4)*

Notes:

1. These are the Shares held by Mr. Tse Cho Tseung as at the Latest Practicable Date. If Mr. Tse Cho Tseung takes up all his entitlements under the Rights Issue in full, the number of Shares held by him will be increased to 564,896,000 immediately after the Rights Issue.

2. The percentage shareholding is calculated on the basis of 1,324,557,600 Shares in issue as at the Latest Practicable Date.

3. These are the Rights Shares which Get Nice Investment Limited has underwritten in respect of the Rights Issue. Get Nice Investment Limited is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited. As at the Latest Practicable Date, Get Nice Holdings Limited is owned as to approximately 7.04% by Honeylink Agents Limited in which Mr. Hung Hon Man is the beneficial owner.

4. The percentage shareholding is calculated on the basis of 6,258,230,400 Shares in issue immediately after the Rights Issue but before the Placing (assuming full conversion rights attaching to the Convertible Notes 2009 will be converted into Shares on or before the Record Date).

(ii) interest in other members of the Group

Name of non-wholly owned subsidiary of the Company	Name of registered substantial shareholders (other than members of the Group)	Number of shares held	Approximate percentage of shareholding
Yanyan Force Limited	Ng Kai Lok, Paul	40 ordinary shares of HK$1 each	40%

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

(c) Directors' interests in assets/contracts and other interests

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

None of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. EXPERTS

The following is the qualification of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Menlo Capital Limited	a licensed corporation under the SFO
Moores Rowland	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which had been since 31 December 2006, being the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

6. LITIGATION

On 8 October 2004, a writ of summons was filed by Mr. Kwok Chin Wing ("Kwok"), 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 all documentary evidence and exchange of witness statements and was ready to proceed with the trial since early 2006. However, 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. The newly joined party has filed his Defence to Kwok's claims in the Action and the Company has also made consequential amendments to its Defence. The parties are now working on the proper directions 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 of their advice previously delivered to the Company. With the benefit of the advice of solicitors and counsel acting for the Company, the directors of the Company formed the opinion that 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.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, neither the Company nor other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within two years immediately preceding the Latest Practicable Date:

(a) the sold note dated 19 November 2005 entered into by Prosper Overseas Limited ("POL"), a subsidiary of the Company, to dispose of its entire interest in a 50.01% owned subsidiary, Unique Force Limited, to an independent third party at a consideration of approximately HK$2.0 million;

(b) the sale and purchase agreement dated 28 December 2005 entered into between POL and Mr. Ko Chi Shing, a third party independent of the Company and its connected persons, whereby POL agreed to dispose of 70% equity interest in Maple Force Limited and assign the rights and benefits of the outstanding amounts owed by Maple Force Limited and its subsidiary to POL to Mr. Ko Chi Shing at a total consideration of approximately HK$2.7 million;

(c) the sale and purchase agreement dated 22 June 2006 entered into by POL to dispose of its entire interest in a 51% owned subsidiary, Thunder Force Limited and to assign the amounts due by Thunder Force Limited to POL and Prosper Services Limited, a fellow subsidiary of POL, on 22 June 2006 to an independent third party at a consideration of HK$53;

(d) the sale and purchase agreement dated 22 June 2006 entered into by POL to dispose of its entire interest in a 51% owned subsidiary, Thunder Tech Electronic Co., Limited to an independent third party at a consideration of HK$49,947;

(e) the placing agreement dated 11 October 2006 entered into between the Company and Charm Management Limited ("Charm"), a substantial shareholder of the Company, and Hani Securities (H.K.) Limited ("Hani"), pursuant to which Hani agreed to place, on a best effort basis, up to 300,000,000 shares of the Company of HK$0.01 each (equivalent to 120,000,000 Shares after share consolidation) at a price of HK$0.04 per share to not less than six placees and Charm agreed to subscribe for such number of new shares equivalent to the number of shares placed by Hani at the same price of HK$0.04 per share;

(f) the sale and purchase agreement dated 23 November 2006 entered into between the Company and Sky Hawk International Limited, a third party independent of the Company and its connected persons, whereby the Company agreed to dispose of the entire equity interest in Good Prosper Trading Limited and assign the rights and benefits of the outstanding amounts owed by Good Prosper Trading Limited to the Group to Sky Hawk International Limited at a total consideration of HK$20 million;

(g) the non-legally binding letter of intent dated 3 January 2007 entered into between the Company and Talus Holdings Limited in relation to a possible investment by the Company of not less than 50% equity interest in a company to be incorporated by Talus Holdings Limited, which will be principally engaged in coal mining, coal chemical processing, magnetic-levitated wind power generation and related business in 內蒙古巴彥淖爾市烏拉特中旗 (Urad Middle Banner, Baynnur, Inner Mongolia*);

(h) the placing agreement dated 24 January 2007 (as amended by the supplemental agreement dated 9 February 2007) entered into between the Company and Hani pursuant to which Hani agreed to place up to 340,000,000 Shares (of which 150,000,000 Shares on a fully underwritten basis and up to 190,000,000 Shares on a best effort basis) at a price of HK$0.10 per Share;

(i) the placing agreement dated 24 January 2007 (as amended by the supplemental agreement dated 9 February 2007 and the second supplemental agreement dated 28 May 2007) entered into between the Company and Hani pursuant to which Hani agreed to procure subscribers to subscribe for the convertible notes to be issued by the Company with an aggregate principal amount of up to HK$34,000,000, which carrying right to convert the outstanding principal amount into Shares at an initial conversion price of HK$0.10 per Share (subject to adjustment);

(j) the sale and purchase agreement dated 16 April 2007 entered into between POL and Innovative Sonic International Limited whereby POL agreed to dispose of the entire equity interest in GFT Holding Limited and assign the rights and benefits of the outstanding amounts owing from Great Force Technology Limited, one of the subsidiary of GFT Holding Limited, to POL to Innovative Sonic International Limited at a total consideration of HK$2;

(k) the placing and subscription agreement dated 14 August 2007 entered into between the Company, Charm and Kingston Securities Limited ("Kingston"), pursuant to which Kingston agreed to place, on a fully underwritten basis, 70,000,000 Shares held by Charm at a price of HK$0.128 per Share to not less than six placees and Charm agreed to subscribe for 70,000,000 new Shares at the same price of HK$0.128 per Share;

(l) the placing agreement dated 14 August 2007 entered into between the Company and Kingston, whereby Kingston agreed to place, on a best effort basis, a maximum of 150,000,000 new Shares at a price of HK$0.128 per Share to not less than six placees;

(m) the termination agreement dated 14 September 2007 entered into between the Company and Kingston to terminate the placing agreement dated 14 August 2007 as disclosed in (g) above;

(n) the Underwriting Agreement; and

(o) the Placing Agreement.

** for identification purpose only*

8. CORPORATION INFORMATION

Registered Office of the Company	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Head office and principal place of business of the Company in Hong Kong	Unit 707, Tower II Admiralty Centre 18 Harcourt Road Hong Kong
Authorized representatives	Ms. Ma Wai Man, Catherine Flat G, 15th Floor, Maple Mansion 18 Taikoo Wan Road Taikooshing, Quarry Bay Hong Kong Ms. Lau Siu Mui 16E, 210 Castle Peak Road Tsuen Wan, New Territories Hong Kong
Company secretary and qualified accountant	Ms. Lau Siu Mui, ACCA
The Hong Kong branch registrar and transfer office of the Company	Computershare Hong Kong Investor Services Limited Hopewell Centre, 46th Floor 183 Queen's Road East Wan Chai, Hong Kong
Legal advisers to the Company	Sidley Austin 39th Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong
Auditors	Moores Rowland Chartered Accountants Certified Public Accountants 13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Principal bankers	The Bank of East Asia Limited 10 Des Voeux Road Central Hong Kong

DIRECTORS

Particulars of Directors

Name	Address
Executive Directors	
Mr. Ha Kee Choy, Eugene	26E, Hsia Kung Mansion Taikooshing, Hong Kong
Ms. Ma Wai Man, Catherine	Flat G, 15th Floor, Maple Mansion 18 Taikoo Wan Road Taikooshing, Quarry Bay Hong Kong
Independent non-executive Directors	
Mr. Cheng Yuk Wo	59 Nga Tsin Wai Road, 3C, Kowloon
Mr. Chui Chi Yun, Robert	Flat A, 2nd Floor, Braemar Hill Mansion 21 Braemar Hill Road, Hong Kong
Mr. Lai Wing Leung, Peter	8B, Ewan Court 54-56 Kennedy Road, Hong Kong

Executive Directors:

Mr. Ha Kee Choy, Eugene, aged 50, joined the Company as an executive Director in July 2004. Mr. Ha holds a Master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Ha possesses over 15 years experience in the finance and banking industry and acts as director of a number of private and listed companies in Hong Kong.

Ms. Ma Wai Man, Catherine, aged 41, joined the Company as an executive Director in October 2007. Ms. Ma is a graduate of the City University of Hong Kong. She is a chartered secretary and a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ma has extensive management experience in companies with diversified interests ranging from manufacturing, telecommunications to infrastructure and property investments. She has previously held executive directorship in a number of companies listed on local and overseas stock exchanges.

Independent Non-Executive Directors:

Mr. Cheng Yuk Wo, aged 47, joined the Company as an independent non-executive Director in October 2007. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontairo, Canada. Mr. Cheng worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting.

Mr. Chui Chi Yun, Robert, aged 50, joined the Company as an independent non-executive Director in July 2004. Mr. Chui holds a Bachelor's degree in Commerce (major in Accounting) and is a practicing Certified Public Accountant in Hong Kong. Mr Chui is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Lai Wing Leung, Peter, aged 50, joined the Company as an independent non-executive Director in September 2004. Mr. Lai holds a Bachelor's degree in Science from the University of Hong Kong and is an associate member of the Hong Kong Institute of Bankers. He has over 25 years of experience in banking and securities industries.

9. MISCELLANEOUS

The English text of this circular shall prevail over their Chinese text in case of inconsistencies.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 707, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong from the date of this circular up to and including 23 November 2007:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the year ended 31 December 2005 and 31 December 2006 and the interim report of the Company for the six months ended 30 June 2007;

(c) the copy of each circular issued by the Company dated 11 December 2006, 14 February 2007, 25 April 2007, 10 May 2007 and 11 June 2007, respectively

(d) the letter of advice from Menlo Capital, the text of which is set out on pages 29 to 41 of this circular;

(e) the letter on the unaudited pro forma financial information of the Group issued by Moores Rowland set out in appendix II to this circular;

(f) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix; and

(g) the written consent referred to in the paragraph under the heading “Experts” in this Appendix.

GFT HOLDINGS LIMITED
真樂發控股有限公司*
(incorporated in Bermuda with limited liability)
(stock code: 1003)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of GFT Holdings Limited (the "**Company**") to be held at Tang Room II, 3/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong at 10:00 a.m. on Friday, 23 November 2007 for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **"THAT:**

(a) the creation and issue by the Company of convertible bonds in the maximum aggregate principal sum of HK$300,000,000 (the "**Convertible Bonds**"), convertible into 7,317,073,170 new shares of HK$0.025 each in the share capital of the Company (the "**Shares**") at the initial conversion price of HK$0.041 per Share (subject to adjustment) upon the terms and conditions (the "**CB Conditions**") contained in a placing agreement (the "**Placing Agreement**") dated 3 October 2007 (as amended by a supplemental agreement dated 9 October 2007) (a copy of which has been produced to this meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) entered into between the Company and the placing agent, Get Nice Investment Limited in connection with the placing of the Convertible Bonds be and is hereby generally and unconditionally approved in all respects;

(b) the Placing Agreement and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved, ratified and confirmed in all respects and the directors ("**Directors**") of the Company be and are hereby generally and unconditionally authorised to issue the Convertible Bonds on and subject to the terms of the Placing Agreement, to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Directors, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Placing Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of the CB Conditions) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole; and

** for identification purpose only*

(c) the Directors be and are hereby generally and specifically authorised to (i) allot and issue such number of new Shares (the "**Special Mandate**") as may be required to be allotted and issued upon exercise of the conversion right attaching to the Convertible Bonds approved to be issued under paragraph (a) of this resolution numbered (1) on and subject to the terms and conditions of the Placing Agreement and the CB Conditions. The Special Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 28 June 2007 or such other general or special mandate(s) which may from time to time be granted to the Directors prior to the passing of this resolution numbered (1)."

2. **"THAT** subject to the fulfilment or waiver of the conditions set out in the underwriting agreement (the "**Underwriting Agreement**") dated 3 October 2007 (as amended by a supplemental agreement dated 9 October 2007) in respect of the proposed rights issue by the Company and entered into between the Company and Get Nice Investment Limited (the "**Underwriter**") (a copy of the Underwriting Agreement has been produced to this meeting marked "B" and signed by the Chairman of the meeting for the purpose of identification):

(a) the allotment and issue of not less than 3,973,672,800 new Shares and not more than 4,693,672,800 new Shares (the "**Rights Shares**") of HK$0.025 each in the share capital of the Company (the "**Shares**") pursuant to an offer by way of rights to the holders of Shares (the "**Shareholders**") at the subscription price of HK$0.038 per Rights Share in the proportion of three Rights Shares for every one Share held by the Shareholders whose names appear on the register of members of the Company on Friday, 23 November 2007 (or such later date as the Company and the Underwriters may agree to be the record date for such Rights Issue) (the "**Record Date**") other than those Shareholders whose addresses on the Record Date are outside Hong Kong (the "**Overseas Shareholders**") (the "**Rights Issue**") as described in further detail in a circular issued by the Company dated 1 November 2007 of which the notice convening this meeting forms part and on and subject to such terms and conditions as may be determined by the directors of the Company, be and is hereby approved;

(b) the directors of the Company be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, the directors of the Company may make such exclusions or other arrangements in relation to Overseas Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

(c) the directors of the Company be and are hereby authorised to do all acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate and in the interests of the Company."

By order of the Board
GFT Holdings Limited
Lau Siu Mui
Company Secretary

Hong Kong, 1 November 2007

Registered office:
Cannon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
Unit 707, Tower II
Admiralty Centre
18 Harcourt Road
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the office of the registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above Meeting or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.