JF Household Furnishings Limited
捷豐家居用品有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8310)

INTERIM RESULTS ANNOUNCEMENT 2007

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This announcement, for which the directors (the "Directors") of JF HOUSEHOLD FURNISHINGS LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at this date of this document, the Directors of the Company are:

Executive Directors:	*Independent non-executive Directors:*
Mr. Yan Siu Wai	Mr. Kwan Kai Cheong
Mr. Leung Kwok Yin	Mr. Garry Alides Willinge
Mr. Bao Jisheng	Mr. Yu Hon Wing Allan

HIGHLIGHTS

- Turnover of the Group (defined below) for the six months ended 30 June 2007 amounted to approximately HK$136.7 million (2006: approximately HK$68.8 million), representing an increase of approximately 98.7% as compared to the corresponding period last year.

- Profit attributable to equity holders of the Company for the six months ended 30 June 2007 amounted to approximately HK$8.94 million (2006: approximately HK$6.54 million), representing an increase of approximately 36.7% as compared to the corresponding period last year.

- Earnings per share of the Group was approximately HK$5.27 cents (2006: HK$3.88 cents) for the six months ended 30 June 2007.

UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 June 2007

The board of directors (the "Board" or the "Directors") of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

		Unaudited Three months ended 30-Jun		**Unaudited Six months ended 30-Jun**	
		2007	2006	**2007**	2006
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*3*	**85,777**	37,041	**136,701**	68,809
Cost of sales		**(73,286)**	(30,017)	**(115,519)**	(56,264)
Gross Profit		**12,491**	7,024	**21,182**	12,545
Other Revenue	*4*	**264**	510	**354**	2,464
Selling and Distribution Costs		**(804)**	(467)	**(1,591)**	(763)
Administrative expenses		**(3,454)**	(2,783)	**(5,870)**	(4,351)
Profit from Operations		**8,497**	4,284	**14,075**	9,894
Finance costs		**(313)**	(247)	**(772)**	(426)
Profit before taxation	*5*	**8,184**	4,037	**13,303**	9,468
Taxation	*6*	**(2,708)**	(1,854)	**(4,366)**	(2,930)
Profit attributable to the Equity holders of the Company		**5,476**	2,183	**8,937**	6,538
Profit Distributions/Dividend	*7*	**0.00**	0.00	**0.00**	0.00
Earnings per share (cents)	*8*	**3.23**	1.29	**5.27**	3.88

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 Jun 2007 HKD	At 31 Dec 2006 HKD
NON-CURRENT ASSETS			
Property, plant and equipment	9	**51,291,957**	29,451,777
Land use right		**1,365,000**	1,056,784
Deposit paid for Land use right	10	**16,601,092**	16,015,287
		69,258,049	46,523,848
CURRENT ASSETS			
Inventories		**55,602,566**	42,326,566
Trade receivables	11	**32,480,363**	26,527,951
Deposits and other receivables		**9,059,780**	5,941,961
Due from a related company	12	**153,137**	19,241
Pledged bank deposit		**2,030,468**	2,235,712
Bank and cash balances		**29,856,090**	9,397,280
		129,182,404	86,448,711
TOTAL ASSETS		**198,440,453**	132,972,559
CURRENT LIABILITIES			
Bills Payables		**339,197**	0
Trade Payables	13	**23,438,803**	11,451,980
Other Payables and accruals		**3,230,324**	4,196,345
Dividend Payables		**0**	0
Due to directors		**540,000**	540,000
Provision for taxation		**3,828,243**	1,735,248
Bank borrowings		**73,855,873**	25,524,722
		105,232,440	43,448,295
NET CURRENT ASSETS		**23,949,964**	43,000,416
NET ASSETS		**93,208,013**	89,524,264
CAPITAL AND RESERVES			
Paid-in capital		**1,695,850**	1,695,850
Reserves		**91,512,163**	87,828,414
TOTAL EQUITY		**93,208,013**	89,524,264

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
TOTAL EQUITY		
Balance at beginning of period	**89,524**	75,154
Profit for the period	**8,937**	6,538
Issuance of new shares	**0**	809
Foreign currency translation reserve	**3,056**	0
Dividend declared on shares	**(8,309)**	(9,489)
Balance at end of period	**93,208**	73,012

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Net cash generated from operating activities	**918**	10,146
Net cash used in investing activities	**(21,440)**	(1,611)
Net cash used in / generated from financing activities	**39,318**	(11,669)
Net increase in cash & cash equivalents	**18,796**	(3,134)
Cash and cash equivalents at 1 January	**9,397**	13,637
Effect of foreign exchange rate changes	**1,663**	0
Cash and cash equivalents at 30 June	**29,856**	10,503

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 15th floor, EIB Tower, 4-6 Morrison Hill Road, Wanchai, Hong Kong. The Company's shares are listed on GEM. The Company is an investment holding company.

2. Basis of preparation and principal accounting policies

The unaudited interim results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention and in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and the disclosure requirements of the Companies Ordinance (Cap 32 of the Laws of Hong Kong).

The accounting policies adopted in preparing the unaudited consolidated results for the six months ended 30 June 2007 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

3. Turnover

The Group is principally engaged in manufacturing and sales of furnishings and home products and accessories primarily used in kitchens and bathrooms. Turnover represents invoiced value of goods sold, net of value-added tax, and after allowance for goods returned and trade discounts. Turnover attributed by different materials can be summarized as follows:

	2007	2006
	HK$'000	*HK$'000*
Stainless steel products	**123,415**	68,809
Timber products	**13,286**	0
Total	**136,701**	68,809

4. Other Revenue

Other revenue in the 2006 period include an one-off grant of approximately HK$1.93 million (RMB 2.0 million) by the People's Government of Yuyao for encouraging product development of the Group.

5. Profit Before Taxation

	2007	2006
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging/(crediting):		
Exchange Losses	**789**	476
Depreciation of property, plant and equipment	**789**	402

6. Taxation

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), 寧波捷豐家居用品有限公司 (JF A.C.R. Equipment Supplies (Ningbo) Co., Ltd.) ("JF Ningbo"), a subsidiary of the Company operating in Zhejiang Province, the PRC, is subject to enterprise income tax rate at 26.4% on its taxable profit in accordance with Income Tax Law of People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises.

Pursuant to the relevant laws and regulations in the PRC, JF Ningbo is entitled to a 50% reduction for the enterprise income tax as over 70% of the goods sold were exported goods.

Under this provision, the Group has to pay a 26.4% tax for a full year and the refund of half of that tax (13.2%) from the government will be made normally in the second quarter of the following year. No provision for this refund has been included in the tax calculation for this reporting.

Pursuant to the relevant laws and regulations in the PRC, 寧波捷豐金屬制品有限公司 (Ningbo JF Metal Products Co. Ltd.) ("JF Metal") and 寧波捷豐現代家俱有限公司 (Ningbo JF Furniture Co. Ltd) ("JF Furniture"), two subsidiaries of the Company operating in Zhejiang Province, the PRC, are subject to enterprise income tax rate at 26.4% on its taxable profit in accordance with Income Tax Law of People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises. JF Metal and JF Furniture are entitled to a two-year exemption from enterprise income tax starting from its first profit-making year followed by a 50% reduction for the subsequent three years. No provision for PRC enterprise income tax has been made as JF Metal and JF Furniture incurred tax loss for the period.

7. Dividends

The Directors do not recommend the payment of dividend for the six months ended 30 June 2007. (2006: Nil)

8. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders during the six month period ended 30 June 2007 of approximately HK$8.94 million (2006: approximately HK$6.54 million) and weighted average of 169,585,000 ordinary shares of the Company during the six months ended 30 June 2007 (2006: 168,311,354 ordinary shares).

9. Property, plant and equipment

	Buildings	Machinery	Motor Vehicles	Office Equipment	Construction in progress	Total
	HKD	*HKD*	*HKD*	*HKD*	*HKD*	*HKD*
Cost						
At 1 January 2007	11,164,545	7,657,062	907,841	703,519	11,975,132	32,408,099
Additions	51,315	10,960,730	587,629	95,889	9,894,462	21,590,026
Transfers	0	0	0	0	0	0
Exchange Adjustment	393,965	270,196	32,035	24,825	422,568	1,143,589
At 30 June 2007	11,609,825	18,887,988	1,527,505	824,233	22,292,163	55,141,714
Accumulated depreciation						
At 1 January 2007	1,225,562	1,073,301	478,203	179,257	0	2,956,322
Charge for the period	261,114	378,930	89,557	59,514	0	789,115
Exchange Adjustment	43,247	37,874	16,874	6,325	0	104,320
At 30 June 2007	1,529,923	1,490,104	584,633	245,097	0	3,849,757
Net book value						
At 30 June 2007	10,079,902	17,397,883	942,872	579,137	22,292,163	51,291,957
At 31 December 2006	9,938,983	6,583,761	429,639	524,262	11,975,132	29,451,777

10. Deposit paid for Land use right

As at 30 June 2007 the Group paid HK$16,601,092 (31 December 2006: HK$16,015,287) as the consideration for acquisition of the land use right of a parcel of land located in Yaobei district in Yuyao, Zhejiang Province, the PRC for a term of 50 years.

11. Trade receivables

The Group normally granted customers with credit terms of 30 to 90 days. The ageing analysis of the Group's trade receivables is as follows:

	At 30 June 2007	At 31 December 2006
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 - 30 days	**30,408**	23,595
31 - 60 days	**2,072**	1,521
61 - 90 days	**0**	1,377
> 90 days	**0**	35
	32,480	26,528

12. Due from a related company

The amounts due from a related company represent utility expenses from 餘姚捷豐空調設備有限公司(Yuyao Jiefeng Air Conditioning Equipment Co. Ltd.) incurred through a shared meter.

13. Trade payables

The Group normally granted customers with credit terms of 30 to 90 days. The ageing analysis of the Group's trade receivables is as follows:

	At 30 June 2007 *HK$'000* **(unaudited)**	At 31 December 2006 *HK$'000* (audited)
0 - 30 days	**16,941**	7,784
31 - 60 days	**3,891**	2,316
61 - 90 days	**368**	579
> 90 days	**2,239**	772
	23,439	11,451

14. Segment Information

The Group currently has two major lines of products, namely stainless steel products and timber products. Segment information about the two lines of products for the six months ended 30 June 2007 is presented below:

	Stainless Steel Products *HK$'000*	**Timber Products** *HK$'000*	**Consolidated** *HK$'000*
Turnover	123,415	13,286	136,701
Segmented Result	17,122	(188)	16,934
Unallocated Corporate Expenses			(2,860)
Finance costs			(771)
Profit before taxation			13,303
Taxation			(4,366)
Net Profit			8,937

No business segment information for the assets, liabilities and capital contributions of the Group is shown as the stainless steel plant was used for the production of timber products temporary.

15. Liquidity, Financial Resources and Funding and Treasury Policy

As at 30 June 2007, the Group had bank and cash balances of approximately HK$29.9 million (as at 31 December 2006: approximately HK$9.4 million), short terms bank borrowings of approximately HK$73.9 million (as at 31 December 2006: approximately HK$25.5 million) respectively. Net current assets of approximately HK$23.9 million, a lower level than that at 31 December 2006: approximately HK$43.0 million. Non-current assets increased by approximately HK$22.8 million (at 31 December 2006) to approximately HK$69.3 million at 30 June 2007. The increase was mainly due to the construction of a new plant.

As at 30 June 2007, the Group had current liabilities of approximately HK$105 million, higher than the level of HK$43 million at year end 2006, to finance a higher level of fixed assets, inventory and cash balances.

Most of the trading transactions, assets and liabilities of the Group were denominated in RMB, US Dollars and Hong Kong Dollars. The Group adopted a conservative treasury policy with no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

16. Gearing Ratio

As at 30 June 2007, the Group's gearing ratio, which was derived from the total borrowings to total assets, increased to 37.2%, up from 19.2% at end of 31 December 2006, as the Group had increased its borrowing to finance the new timber plant and to increase its working capital.

17. Future Plans for Material Investments

The Company had no material acquisition or capital expenditure plan for the six months ended 30 June 2007.

18. Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies for the six months ended 30 June 2007.

19. Contingent Liabilities

As at 30 June 2007, the Group had no contingent liabilities.

20. Foreign Exchange Exposure

All transactions of the Group are denominated in Renminbi, Hong Kong Dollars or US Dollars. As RMB has been appreciating faster recently, the Group's exchange losses will be larger as a large part of the Group's revenue are denominated in US Dollars. The management is taking steps to minimize the losses from the appreciation of the RMB currency.

21. Employees and Remuneration Policy

As at 30 June 2007, the Group employed approximately 899 staff in the PRC and Hong Kong. The Group's remuneration to employees, including Directors' emoluments, amounted to HK$9.2 million for the period. The Group reviews employee remuneration annually and rewards its employee with reference to the length of services and performance. The Group also grants share options and bonuses to employees of the Group at the discretion of the Directors and based on the financial performance of the Group.

22. Capital Structure

Since the listing of the Company's shares on GEM of the Stock Exchange on 13 October 2005, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the six months ended 30 June 2007 amounted to approximately HK$136.7 million, representing an increase of approximately 98.7% over the same period of 2006. After the inventory reduction exercise by one of the Group's major customer completed in 2006, orders from this particular customer returned to the growing trend, with turnover in the stainless steel products alone increased by around 79.1% over the same period in 2007. Production in the pilot timber line continued in a trial level with sales amounted to around HK$13.3 million in the first half of 2007.

Gross profit margin of the Group for the six months ended 30 June 2007 dropped to about 15.5% from 18.2% in the six months ended 30 June 2006. Significant increase in stainless steel prices accounted for the major drop of the margin percentage. Unit prices for the two main stainless steel materials purchased increased by 78% (304 sheet metal) and 22% (430 sheet metal) respectively over that of 2006.

Total expenses increased by HK$2.69 million from approximately HK$5.54 million for the six months ended 30 June 2006 to approximately HK$8.23 million for the six months ended 30 June 2007, representing an increase of approximately 48.6%, mainly due to the higher operating costs associated with higher turnover. In addition, higher exchange losses, higher interest rates, and higher professional fees all contributed to the increase in expenses.

Tax expenses increased from approximately HK$2.93 million for the six months ended 30 June 2006 to approximately HK$4.37 million for the six months ended 30 June 2007, mainly due to higher operating income. The income tax rate for the period was 26.4% in 2007, same as the rate used for the 2006 period. The Group is entitled to a 50% tax refund in 2007 for the tax paid in 2007, if its subsidiary, JF Ningbo, as a foreign-invested enterprise, exports 70% or more of the total sales during a full financial year. At year end when management is certain that the Group will be entitled to a 50% refund, the amount will be adjusted in the annual report. For the full year of 2006, the 50% tax refund received in May 2007 was about RMB3.92 million.

For the six months ended 30 June 2007, the Group recorded a net profit attributable to equity holders of Company of approximately HK$8.94 million (six months ended 30 June 2006: approximately HK$6.54 million), representing an increase of approximately 36.7%.

As at 30 June 2007, the Group had bank and cash balances of approximately HK$29.9 million (as at 31 December 2006: approximately HK$9.4 million) and short terms bank borrowings of approximately HK$73.9 million (as at 31 December 2006: approximately HK$25.5 million) respectively.

Business Review

Businesses in the Group had turned a corner in 2007 after much effort was put in 2006 in the preparation for a much larger platform for growth. Turnover increased by more than 98% in the first half of 2007.

Demand for stainless steel products increased significantly and quickly filled up the capacity, even though the completion of the new timber plant released space for the existing stainless steel production. Turnover in the stainless steel products increased by more than 79% to approximately HK$123.0 million for the six months ended 30 June 2007. The Group had already been requested by the key customer to increase space and capacity as soon as possible.

Operating environment continued to be challenging during the first half of the year. Prices for stainless steel continued to rise steeply with purchase of one of the key materials, type 304 steel, costing 78% more than the same period in 2006, lowering our gross margin percentage to 15.5% from 18.2% in 2006. Manufacturing activities in mainland China continued to be under pressure in general, with rising currency (Renminbi), rising interest rates, and rising labour costs. The management has been searching for various alternatives to lower the impact of the rising costs.

Turnover for timber products was a mere HK$13.3 million for the six months ended 30 June 2007, as timber production were still under the trial production with the pilot line, using space of the stainless steel plant during the relevant period.

Outlook

The Group is turning a new phase in 2007 with the completion of the 30,000m^2 plant for the new timber production lines. The pilot production line, together with two new timber production lines from Italy arrived in the first quarter this year formed the first phase of the timber operations with timber capacity reaching about US$25 million a year.

Timber production has been running under the pilot line since August 2006, and has been mainly for domestic consumption. With the new 30,000 m^2 plant completed and officially opened on 11 June, 2007, the Group is ready for the formal rollout of timber production in the second half of 2007. In July 2007, the Group started to receive export order for timber products as the large-scale production of timber products is ready.

Orders from the Group's key customer for stainless steel products continued to increase, with capacity of the existing plant reaching its limits. The completion of the new timber plant released some space for stainless steel, but the capacity has been filled up quickly as the orders increase significantly.

The Group has been requested by the key customer to increase space and capacity to cope with the expected increase of orders. Management is actively searching for additional space nearby to cope with further increases in demand from the major customer.

The management is confident that the Group will return to a year of encouraging growth in 2007. Moreover, a good foundation has been laid for the continued growth in demand from the key customer who intends to shift its focus to Asia in its future strategy.

COMPARISON OF THE BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

In compliance with the GEM Listing Rules, the Company sets out below a summary of actual business progress as measured against the business objectives set out in the prospectus of the Company dated 5 October 2005 (the "Prospectus") for the period from 1 January 2007 to 30 June 2007 (the "Relevant Period").

Business Objectives for the Relevant Period as stated in the Prospectus	Actual Business Progress
Expand production plant and facilities	
• Construct the 2nd phase of the new production plant with total gross floor area of approximately 15,000 m^2 on the new piece of land.	The new production plant with 30,000 m^2 (1st and 2nd phase) had been completed and officially opened in June 2007.
Product diversification	
• Continue to conduct research and development and introduction of new furnishings and home products and accessories using other types of steel	A new 200 ton hydraulic press machine has been bought to expand the production of steel and other metal base products.
Explore new business opportunities	
• Set up representative offices overseas to explore new business opportunities	An agent has been appointed in the USA to identify potential customers for the Group's products
Improve the overall management systems	
• Full implementation of enterprise resources planning system for better information sharing and improve operational efficiency	ERP system acquired earlier has been implemented. Eight additional PCs have been acquired to support the implementation

Application of Proceeds from Capital Raising

The Group raised approximately HK$23.3 million from the issue of 42,000,000 new shares of the Company at HK$0.80 per share in October 2005. The Company's shares were successfully listed on GEM with effect from 13 October 2005. Up to 30 June 2007, the Group has applied substantial part of the proceeds totaling approximately HK$22.37 million for the following purposes:

(i) approximately HK$17.62 million for the expansion of production capacity;

(ii) approximately HK$3.21 million for product diversification;

(iii) approximately HK$0.83 million for strengthening the sales and marketing team; and

(iv) approximately HK$0.71 million for improving overall management system.

Consistent with the disclosure in the Prospectus, the Group intends to apply the remaining proceeds of approximately HK$0.94 million for the following purposes:

(i) as to approximately HK$0.18 million for the further expansion of production capacity;

(ii) as to approximately HK$0.50 million for the further diversification;

(iii) as to approximately HK$0.07 million for strengthening the sales and marketing team; and

(iv) as to approximately HK$0.19 million for improving overall management system.

OTHER INFORMATION

1. Interests and Short Positions of Directors and Substantial Shareholders in Shares, Underlying Shares

The Directors who held office at 30 June 2007 had the following interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO")) which are 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 are taken or deemed to have been taken under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by the Directors on the listing of the shares:

(a) Aggregate long positions in shares of the Company

	Ordinary shares of HK$0.01 each				
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage of the total issued capital of the Company**
Mr. Yan Siu Wai	12,600,000	—	63,000,000	75,600,000 *(Note 1)*	44.6%
Mr. Leung Kwok Yin	15,120,000	—	35,280,000	50,400,000 *(Note 2)*	29.7%

Notes:

1. Among these 75,600,000 shares, (i) 34,020,000 shares were registered in the name of Excel Strength Investments Limited ("Excel Strength") and (ii) 28,980,000 shares were registered in the name of Willhero Investments Limited ("Willhero"); and (iii) the remaining 12,600,000 shares were registered in the name of Mr. Yan Siu Wai directly. Each of Excel Strength and Willhero is a company incorporated in the British Virgin Islands ("BVI") and whose entire issued capital is solely owned by Mr. Yan Siu Wai. By virtue of the SFO, Mr. Yan Siu Wai was deemed to be interested in 63,000,000 shares through his shareholdings in Excel Strength and Willhero.

2. Among these 50,400,000 shares, (i) 22,680,000 shares were registered in the name of Hero Talent Investments Limited ("Hero Talent") and (ii) 12,600,000 shares were registered in the name of Joyday Consultants Limited ("Joyday"); and (iii) the remaining 15,120,000 shares were registered in the name of Mr. Leung Kwok Yin directly. Each of Hero Talent and Joyday is a company incorporated in the BVI and whose entire issued capital is solely owned by Mr. Leung Kwok Yin. By virtue of the SFO, Mr. Leung Kwok Yin was deemed to be interested in 35,280,000 shares through his shareholdings in Hero Talent and Joyday.

(b) Aggregate long positions in equity derivatives in, or in respect of, underlying shares

As at 30 June 2007, three executive Directors had been granted options to subscribe for shares pursuant to the Pre-IPO Share option Scheme (as defined in the paragraph headed "Share Options" below, details of which are set out as follows:

Name of Director	**Number of Underlying Shares**	**Date of Grant**	**Exercise Period** *(Note)*	**Exercise price per share**
Mr. Yan Siu Wai	4,435,200	8 September 2005	13 April 2006 to 12 October 2010	HK$0.80
Mr. Leung Kwok Yin	2,956,000	8 September 2005	13 April 2006 to 12 October 2010	HK$0.80
Mr. Bao Jisheng	3,360,000	8 September 2005	13 April 2006 to 12 October 2010	HK$0.80

Note:

The exercise of the options by the Directors is, however, subject to a moratorium period of 12 months from the date of listing which had expired on 12 October 2006.

2. Substantial Shareholders

As at 30 June 2007, other than the interests disclosed above in respect of certain Directors, the Directors were not aware of any other persons who had an interests or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

3. Share Options

By written resolutions passed on 8 September 2005, the then shareholders of the Company approved and adopted a share option scheme entitling the Board to grant share options at its discretion before the listing of the shares (the "**Pre-IPO Share Option Scheme**"), and conditionally adopted a post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). Details of the share options granted on 8 September 2005 pursuant to the Pre-IPO Share Option Scheme and remained outstanding as at 30 June 2007 are as follows:

		Options held as at 1 January 2007	Options held as at 30 June 2007	Exercise price *(HK$)*	Exercisable in April 2006	Exercisable in October 2006 *(note)*
(A)	Employees	2,688,000	2,688,000	0.80	2,688,000	
		5,135,000	5,135,000	0.56	5,135,000	
(B)	Directors	10,752,000	10,752,000	0.80		10,752,000
		18,575,000	18,575,000		7,823,000	10,752,000

Note:

During the six months ended 30 June 2007, no options had been granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme and none of the share options granted were exercised.

4. Competing Interests

None of the Directors, management shareholders or their respective associates (as defined in GEM Listing Rules), had any interests in any business which compete or may compete with the Company or any other conflicts of interest which any such person may have with the Company.

5. Compliance Adviser Interests

As at 30 June 2007, neither Tanrich Capital Ltd. ("TCL") nor its directors, employees or associates, as defined in the GEM Listing Rules, had any interest in the securities of the Company or right to subscribe for or to nominate person to subscribe for securities of the Company.

Pursuant to the compliance adviser's agreement dated 15 September 2006 which was entered into between the Company and TCL, TCL has been appointed as the compliance adviser to the Company as required under the GEM Listing Rules at a fee for the period commencing from 15 September 2006 until the agreement is terminated upon the terms and conditions set out therein.

6. Audit Committee

The Company has established an audit committee on 8 September 2005 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing internal control procedures of the Group.

The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit.

It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee comprises three independent non-executive directors, namely Garry Alides Willinge, Yu Hon Wing Allan and Kwan Kai Cheong and Kwan Kai Cheong is the chairman of the audit committee.

The unaudited quarterly results for the six months ended 30 June 2007 has been reviewed by the audit committee.

7. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

8. Corporate Governance Practices

The Group is committed to ensuring high standards of corporate governance and business practices. The Group has complied throughout the six months ended 30 June 2007 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules. The Board will continue to commit itself to achieving a high quality of corporate governance.

9. Directors' Securities Transactions

The Group has adopted a code of conduct regarding directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Rules for the six months ended 30 June 2007.

By order of the Board
Yan Siu Wai
Chairman

Hong Kong, 10 August 2007

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.