CHALLENGER GROUP HOLDINGS LIMITED
挑戰者集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8203)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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This announcement, for which the directors (the "Directors") of Challenger Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.

* *For identification purpose only*

HIGHLIGHTS

- Turnover from the continuing and discontinued operations of the Group for the three months and six months ended 30 September 2008 amounted to approximately HK$13.3 million and HK$27.2 million respectively (2007: HK$126.3 million and HK$217.7 million), representing a decrease of approximately 89.5% and 87.5% respectively as compared to the same period last year.

- Profit attributable to equity holders of the Company for the three months and six months ended 30 September 2008 amounted to approximately HK$103.3 million and HK$97.1 million respectively (2007: HK$4.3 million and HK$9.5 million), representing an increase of approximately 23 times and 9 times respectively as compared to the same period last year.

- Earnings per share of the Group for the three months and six months ended 30 September 2008 amounted to approximately HK cents 13.42 and HK cents 12.61 respectively (2007: HK cents 0.80 and HK cents 1.75).

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The board of directors (the "Board" or the "Directors") of Challenger Group Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 September 2008, together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

		Unaudited Three months ended 30 September		**Unaudited Six months ended 30 September**	
		2008	2007	**2008**	2007
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Note		(Restated)		(Restated)
Continuing operations					
Turnover	*5*	**13,289**	8,845	**27,246**	8,845
Cost of goods sold and services rendered		**(3,593)**	(2,213)	**(7,312)**	(2,213)
Gross profit		**9,696**	6,632	**19,934**	6,632
Other income		**576**	727	**1,235**	1,385
Selling and distribution costs		**(473)**	(453)	**(1,025)**	(453)
Administrative and other operating expenses		**(12,181)**	(7,581)	**(26,517)**	(8,484)
Loss from operations		**(2,382)**	(675)	**(6,373)**	(920)
Finance costs		**(8,825)**	(20)	**(10,752)**	(20)
Share of loss after tax of an associate less impairment loss		**(28)**	–	**(28)**	–
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries	*4*	**60,720**	–	**60,720**	–
Fair value gain on derivative liability of convertible notes	*13*	**53,777**	–	**53,777**	–
Profit/(loss) before tax		**103,262**	(695)	**97,344**	(940)
Income tax expense	*6*	**–**	(5)	**–**	(5)
Profit/(loss) for the period from continuing operations		**103,262**	(700)	**97,344**	(945)
Discontinued operation					
Profit for the period from discontinued operation		**–**	4,842	**–**	10,234
Profit for the period	*7*	**103,262**	4,142	**97,344**	9,289
Profit for the period attributable to:					
Equity holders of the Company		**103,334**	4,303	**97,108**	9,450
Minority interests		**(72)**	(161)	**236**	(161)
		103,262	4,142	**97,344**	9,289
Dividend	*8*	**–**	–	**–**	–
Earnings/(loss) per share (HK cents)					
From continuing and discontinued operations	*9*				
– basic		**13.42**	0.80	**12.61**	1.75
– dilute		**7.28**	–	**7.00**	–
From continuing operations					
– basic		**13.42**	(0.13)	**12.61**	(0.18)
– dilute		**7.28**	–	**7.00**	–

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2008

	Note	**Unaudited as at 30 September 2008** *HK$'000*	Audited as at 31 March 2008 *HK$'000*
Non-current assets			
Fixed assets		**1,856**	1,436
Intangible assets		**18,338**	18,234
Deferred tax assets		**170**	170
Investment in an associate	*10*	**1,079,671**	–
		1,100,035	19,840
Current assets			
Inventories		**453**	372
Trade and bills receivables	*11*	**1,008**	974
Deposit, prepayments and other receivables		**73,581**	11,607
Bank and cash balances		**89,816**	119,212
		164,858	132,165
Current liabilities			
Trade and bills payables	*12*	**734**	1,348
Other payables and accruals		**5,361**	3,765
Sales deposits received and receipt in advance		**3,710**	3,948
Amount due to minority shareholders		**2,576**	2,576
Derivative liability of convertible bonds	*13*	**99,424**	–
Current tax liabilities		**–**	54
		111,805	11,691
Net current assets		**53,053**	120,474
Total assets less current liabilities		**1,153,088**	140,314
Non-current liabilities			
Convertible bonds	*13*	**627,539**	–
NET ASSETS		**525,549**	140,314
Capital and reserves			
Share capital	*14*	**7,700**	5,400
Reserves		**477,811**	122,562
Equity attributable to equity holders of the Company		**485,511**	127,962
Minority interests		**40,038**	12,352
TOTAL EQUITY		**525,549**	140,314

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Attributable to equity holders of the Company							
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Retained profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	5,400	9,536	(122)	2,626	38,177	55,617	–	55,617
Translation difference	–	–	–	1,834	–	1,834	–	1,834
Net income recognised directly in equity	–	–	–	1,834	–	1,834	–	1,834
Profit for the period	–	–	–	–	9,450	9,450	(161)	9,289
Total recognised income and expense for the period	–	–	–	–	9,450	9,450	(161)	9,289
Acquisition of subsidiaries	–	–	–	–	–	–	4,677	4,677
At 30 September 2007	5,400	9,536	(122)	4,460	47,627	66,901	4,516	71,417

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Attributable to equity holders of the Company								
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Share-based payment reserve	Retained profits	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	5,400	9,536	–	–	5,859	107,167	127,962	12,352	140,314
Translation difference	–	–	–	15,460	–	–	15,460	149	15,609
Net income recognised directly in equity	–	–	–	15,460	–	–	15,460	149	15,609
Profit for the period	–	–	–	–	–	97,108	97,108	236	97,344
Total recognised income and expense for the period	–	–	–	–	–	97,108	97,108	236	97,344
Issue of shares	2,300	181,700	–	–	–	–	184,000	–	184,000
Acquisition of subsidiaries	–	–	57,503	–	–	–	57,503	27,301	84,804
Share-based payment	–	–	–	–	3,478	–	3,478	–	3,478
At 30 September 2008	7,700	191,236	57,503	15,460	9,337	204,275	485,511	40,038	525,549

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Net cash (used in) operating activities	**(63,611)**	(795)
Net cash (used in)/generated from investing activities	**(947,086)**	1,391
Net cash generated from/(used in) financing activities	**981,301**	(7,503)
Net decrease in cash and cash equivalents	**(29,396)**	(6,907)
Effect of foreign exchange rate change	**–**	1,904
	(29,396)	(5,003)
Cash and cash equivalents at 1 April	**119,212**	46,186
Cash and cash equivalents at 30 September	**89,816**	41,183
Analysis of cash and cash equivalents		
Bank and cash balances	**89,816**	41,878
Bank overdrafts	**–**	(695)
	89,816	41,183

NOTES TO 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 Unit A1, 6/F, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock of Hong Kong Limited (the "Stock Exchange").

2. Adoption of new and revised Hong Kong Financial Reporting Standards

During the six months ended 30 September 2008, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting periods beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the six months ended 30 September 2008 and the same period in last year.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimate. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

The accounting policies and basis of the preparation of the financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2008.

4. Business combination

Acquisition of 100% shareholding in Joy Harvest Holdings Limited.

In 10 June 2008, the Group through the acquisition of 100% entire issued share capital of Joy Harvest Holdings limited ("Joy Harvest") to control (i) a 49% interest in Inner Mongola Mengxi Minerals Limited ("Mengxi Minerals"). A Sino-foreign joint venture company set up to own and operate a coal mine with 99.6 million tones of reserve (based on estimation under the PRC coal reserves standard); and (ii) a 70% stake in Ordos GEM Coal & Chemical Co., Limited (another Sino-foreign joint venture company established to build and operate coal processing plants).

The fair value of the identifiable assets, liabilities and contingent liabilities of Joy Harvest as at the date of completion of acquisition were as follows:

	HK$'000
Net asset	
Investment in an associates	261,295
Fair value adjustment of mining right	803,291
Cash and bank balances	4
Other payable	(259,917)
	804,673
Consideration of acquisition	698,591
Direct cost of acquisition	45,362
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the consideration and direct cost of acquisition of subsidiary	60,720
Share of net assets acquired (100%)	804,673
Net cash inflow arising on acquisition	
Cash and bank balances	4

Joy Harvest is principally engaged in investment holdings and its subsidiary and associate are engaged in mining, sale and processing of coking coal in the People's Republic of China.

5. Turnover

An analysis of the Group's revenue are as follows:

	Unaudited Three months ended 30 September		**Unaudited Six months ended 30 September**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Provisions of auto beauty and repairs operations services	**12,605**	8,493	**25,657**	8,493
Trading of printer assessories and battery	**684**	352	**1,589**	352
	13,289	8,845	**27,246**	8,845
Discontinuing operation				
Trading of furniture products	**–**	117,427	**–**	208,828
	13,289	126,272	**27,246**	217,673

6. Income tax expense

	Unaudited Three months ended 30 September 2008 HK$'000	2007 HK$'000	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Continuing operations				
Current tax – Hong Kong Profits Tax	**–**	(5)	**–**	(5)
	–	(5)	**–**	(5)
Discontinued operation				
Current tax – Hong Kong Profits Tax	**–**	–	**–**	–
– over-provision in prior year	**–**	–	**–**	69
	–	(5)	**–**	64

No provision for profit tax in the British Virgin Islands, Cayman Islands, Hong Kong or People's Republic of China has been provided as the Group does not have any assessable profit arising in or derived from these jurisdictions for the relevant periods.

7. Profit for the period

The Group's profit for the period is stated after charging the following:

	Unaudited Three months ended 30 September 2008 HK$'000	2007 HK$'000	Unaudited Six months ended 30 September 2008 HK$'000	2007 HK$'000
Amortisation of intangible assets (included in administrative and other operating expenses)	**2**	9	**2**	18
Auditors' remuneration	**20**	157	**39**	309
Cost of inventories and services income	**3,593**	66,115	**7,312**	114,784
Allowance of obsolete inventories	**–**	458	**–**	560
	3,593	66,573	**7,312**	115,344
Depreciation	**358**	1,118	**694**	1,983
Bond interest payable	**8,819**	–	**10,740**	–
Loss on disposal of fixed assets	**–**	12	**–**	14
Negative goodwill (included in administrative and other operating expenses)	**–**	(1)	**–**	(1)
Share of loss after tax of an associate less impairment loss	**28**	–	**28**	–
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries	**(60,720)**	–	**(60,720)**	–
Fair value gain on derivative liability of convertible notes	**(53,777)**	–	**(53,777)**	–
Operating lease rentals in respect of land and buildings	**3,557**	4,603	**6,931**	6,602
Staff costs (including directors' emoluments)				
Basic salaries, bonuses, allowances and benefits in kind	**6,261**	14,849	**11,263**	26,870
Retirement benefits scheme contributions	**227**	1,089	**441**	1,839
Equity-settled share-based payment	**–**	–	**3,478**	–
Allowance for doubtful debts	**–**	930	**–**	1,307
Net exchange losses	**277**	744	**279**	1,577

8. Dividend

The Directors do not recommend the payment of dividend for the six months ended 30 September 2008 (2007: HK$Nil).

9. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the six months ended 30 September 2008.

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the Convertible Bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period are used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings/(loss) per share are based on the following data:

	Unaudited Three months ended 30 September		**Unaudited Six months ended 30 September**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Earnings				
For continuing and discontinued operations profit for the year attributable to the equity holders of the Company for calculation of basic earnings per share	**103,334**	4,303	**97,108**	9,450
Interest on convertible bonds	**8,819**	–	**10,740**	–
Earnings for the year attributable to the equity holders of the Company for calculation of diluted earnings per share	**112,153**	4,303	**107,848**	9,450
Number of shares				
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**770,000**	540,000	**770,000**	540,000
Effect of dilution – weighted average number of ordinary shares:				
Convertible bonds	**770,000**	–	**770,000**	–
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**1,540,000**	540,000	**1,540,000**	540,000

No diluted profit per share for the period ended 30 September 2007 had been disclosed as the Company did not have any Convertible Bonds outstanding during the prior period.

10. Investment in an associate

	Unaudited as at 30 September 2008 *HK$'000*	Audited as at 31 March 2008 *HK$'000*
Share of net assets	**24,648**	–
Fair value adjustment of mining right	**1,055,023**	–
	1,079,671	–
Unlisted investments, at cost	**243,895**	–

11. Trade and bills receivables

The credit terms of trade and bills receivables are in accordance with specific payment schedules agreed with various customers. The aging analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	Unaudited as at 30 September 2008 *HK$'000*	Audited as at 31 March 2008 *HK$'000*
0-30 days	**602**	637
31-60 days	**295**	269
61-90 days	**54**	36
Over 90 days	**57**	32
	1,008	974

12. Trade and bills payables

The credit terms of trade and bills payables varies according to the terms agreed with different suppliers. The aging analysis of trade and bills payables, based on the date of receipt of goods or date of invoice, is as follows:

	Unaudited as at 30 September 2008 *HK$'000*	Audited as at 31 March 2008 *HK$'000*
0-30 days	**567**	861
31-60 days	**156**	181
61-90 days	**11**	64
Over 90 days	**–**	242
	734	1,348

13. Convertible Bonds

On 10 June 2008, the Company issued HK$170 million Consideration Convertible Bonds and HK$600 million of Placing Convertible Bonds (collectively the "Convertible Bonds") with a maturity date of 10 June 2013 (the "Maturity Date"). These bonds (with an aggregate face value of HK$770 million) are unsecured and bear interest at the rate of 1% per annum. The holders of the Convertible Bonds shall have the right to convert at any time prior to the Maturity Date, the whole (in an amount or integral multiple of HK$1.0 million) amount of the Convertible Bonds into convertible shares at the then prevailing conversion price subject to conversion cap and other conditions. Details of the principal terms of the Convertible Bonds are set out in the circular dated 30 April 2008.

The fair value of the liability component was determined by an independent professionally qualified valuer as at the issue date of the Convertible Bonds was amounting HK$617 million.

The fair value of the embedded option in the current liabilities was determined by an independent professionally qualified valuers as at 30 September 2008 was amounting HK$99 million.

The fair value of the derivative liability of the convertible notes is calculated using the Monte Carlo Simulation Model with the major inputs as at 30 September 2008 as follow:

Stock price	HK$0.59
Exercise price	HK$1.30
Volatility	79%
Risk free rate	3.294%

As the Monte Carlo Simulation Model requires the input of highly subjective assumptions, including volatility of share price, change in subjective input assumptions can materially affect the fair value estimate.

During the period, as there was a significant decrease in the share price of the Company, the fair value of derivative liability of the convertible notes increased accordingly, resulting in a fair value gain of HK$53.8 million, which was credited in the consolidated income statement.

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 5.68% to the liability component.

The movements in convertible notes during the period are analysed as follows:

	As at 30 September 2008			
	Liability component (Unaudited) *HK$'000*	**Derivative component (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*	**As at 31 March 2008** *HK$'000*
Issuance of convertibles bonds	616,799	153,201	770,000	–
Interest expenses	10,740	–	10,740	–
Fair value gain on derivative liability of convertible notes	–	(53,777)	(53,777)	–
At 30 September 2008	627,539	99,424	726,963	–

14. Share capital

	Unaudited as at 30 September 2008 *HK$'000*	Audited as at 31 March 2008 *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
770,000,000 (31 March 2008: 540,000,000) ordinary shares of HK$0.01 each	**7,700**	5,400

On 10 June 2008, the Company issued its share capital from 540 million shares to 770 million shares by the allotment of 230 million shares of HK$0.80 each.

15. Contingent liabilities

As at 30 September 2008, the Group did not have any significant contingent liabilities. (31 March 2008: HK$Nil).

16. Lease commitments

As at 30 September 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited as at 30 September 2008 *HK$'000*	Audited as at 31 March 2008 *HK$'000*
Within one year	**5,340**	5,123
In the second to fifth years inclusive	**1,116**	3,164
	6,456	8,287

17. Capital commitments

	Unaudited as at 30 September 2008 ***HK$'000***	Audited as at 31 March 2008 *HK$'000*
Capital expenditure contracted but not provided for in the financial statements in respect of unpaid balance of capital contributions to Mengxi Minerals	**16,813**	–

Pursuant to an equity joint venture agreement dated 22 August 2007 the Company has a 49% investment in Mengxi Minerals which was incorporated in the PRC on 3 February 2005 for a period of eleven years until August 2016. Mengxi Minerals engaged in sagger exploitation, coal sale, washing and choosing of mine run coal and coal processing. The total investment cost of the Company in proportion to its respective interest in Mengxi Minerals HK$260,708,000 which is to be financed in the form of property, plant and equipment and cash by the Company.

18. Segment information

Primary reporting format – Business segments

The Group is organized into three main segments which is trading of raw coal, provision of auto beauty and repairs operations services and trading of printer accessories and battery.

Secondary reporting format – Geographical segments

The Group's principal markets are located in the PRC and Hong Kong.

Business segments information for the period is presented as follows:

	Unaudited Six months ended 30 September 2008				Unaudited Six months ended 30 September 2007
	Trading of raw coal	Provisions of auto beauty and repairs operations services	Trading of printer accessories and battery	Consolidated	Trading of furniture products (Discontinued)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
Sales to external customers	–	25,657	1,589	27,246	217,673
Results					
Segment results	–	786	(48)	738	21,010
Unallocated corporate expenses				(8,212)	(12,268)
Other income				1,091	742
(Loss)/profits from operations				(6,383)	9,484
Finance costs				(10,742)	(259)
Share of loss after tax of an associate less impairment loss				(28)	–
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries				60,720	–
Fair value gain on derivative liability of convertible notes				53,777	–
Profit before tax				97,344	9,225
Income tax expenses				–	64
Profit for the period				97,344	9,289
Segment assets	92,202	21,561	2,133	115,896	122,419
Investment in an associate				1,079,671	–
Unallocated assets				69,326	79,045
Total assets				1,264,893	201,464
Segment liabilities	1,042	7,389	1,318	9,749	60,259
Derivative liability of convertible bonds				99,424	–
Convertible bonds				627,539	–
Unallocated liabilities				2,632	69,788
Total liabilities				739,344	130,047
Other information					
Capital expenditure	25	328	–	353	–
Unallocated capital expenditure				761	2,307
				1,114	2,307
Depreciation and amortisation	2	694	–	696	1,190
Unallocated depreciation and amortisation				–	811
				696	2,001
Allowance for doubtful debts	–	–	–	–	1,307
Unallocated allowance for doubtful debts				–	–
				–	1,307

Secondary reporting format – Geographical segments

	Unaudited Six months ended 30 September 2008			Unaudited Six months ended 30 September 2007			
	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Consolidated** *HK$'000*	**Hong Kong** *HK$'000*	**PRC** *HK$'000*	**Overseas** *HK$'000*	**Consolidated** *HK$'000*
Revenue							
Sales to external customers	27,246	–	27,246	61,633	112,810	43,230	217,673
Results							
Segment results	738	–	738	1,067	16,907	3,036	21,010
Unallocated corporate expenses			(8,212)				(12,268)
Other income			1,091				742
Loss/(profits) from operations			(6,383)				9,484
Finance costs			(10,742)				(259)
Share of loss after tax of an associate less impairment loss			(28)				–
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries			60,720				–
Fair value gain on derivative liability of convertible bonds			53,777				–
Profit before tax			97,344				9,225
Income tax expenses			–				64
Profit for the period			97,344				9,289
Segment assets	23,694	92,202	115,896	49,270	56,751	16,398	122,419
Investment in an associate			1,079,671				–
Unallocated assets			69,326				79,045
Total assets			1,264,893				201,464
Segment liabilities	8,707	1,042	9,749	28,242	15,370	16,647	60,259
Derivative liability of convertible bonds			99,424				–
Convertible bonds			627,539				–
Unallocated liabilities			2,632				69,788
Total liabilities			739,344				130,047
Other information							
Capital expenditure	328	25	353	–	–	–	–
Unallocated capital expenditure			761				2,307
			1,114				2,307
Depreciation and amortisation	694	2	696	702	488	–	1,190
Unallocated depreciation and amortisation			–				811
			696				2,001
Allowance for doubtful debts	–	–	–	290	1,252	(235)	1,307
Unallocated allowance for doubtful debts			–				–
			–				1,307

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

For the six months ended 30 September 2008, the Group generated its income from its auto beauty and repairs operations in Hong Kong while concurrently gearing up to become an integrated coking coal producer in People's Republic of China ("PRC"). Vertical integration will enable the Group to have access to precious feed stock and to control production in a cost effective manner to maximize profit.

During the period under review, the Group's auto subsidiary, Challenger Auto Services Limited, launched a co-branded credit card with Bank of Communications Co., Limited. This campaign is aimed at increasing the Group's market penetration into the auto beauty and repairs industry. The business environment of auto beauty and repairs industry remains difficult and severe competition prevails, resulting in lower profit margin.

The Group's subsidiary, Global On-Line Distribution Limited will continue as an on-line distributor of office supplies and equipments providing multi-channel and cross-border trade solutions to both corporate and individual on-line buyers.

On 10 June 2008, the Group completed the Sales and Purchase Agreement to acquire (the "Acquisition"); (i) a 49% interest in Inner Mongolia Mengxi Minerals Limited ("Mengxi Minerals"), a Sino-foreign joint venture company set up to own and operate a coking coal mine with 99.6 million tonnes of reserve (based on estimation under the PRC coal reserves standard); and (ii) a 70% stake in Ordos GEM Coal & Chemical Co., Limited ("Mengxi Chemical"), another Sino-foreign joint venture company established to build and operate coal processing plants. The Acquisition together with a Management Service Agreement ("MSA") executed earlier to entitle the Group to an additional 21% of profit distribution from Mengxi Minerals, effectively gives the Group a 70% profit distribution from Mengxi Minerals. Details of the Acquisition are set out in the Circular dated 30 April 2008. The Group's coal reserve which mainly consists of hard coking coal (an essential raw material in steel making), can be mined utilizing both the open pit and underground extraction methods.

The consideration for the Acquisition (which amounted to HK$900 million) was satisfied by: (i) HK$170 million of Consideration Convertible Bonds; (ii) HK$546 million of cash; and (iii) HK$184 million of consideration shares (through the allotment of 230 million of shares at HK$0.80 each). The HK$546 million cash payment was financed from the proceeds of the HK$600 million Placing Convertible Bond completed on 10 June 2008.

Similar to elsewhere in China, raw coal and coking coal prices in the Erdos/Wuhai region have been falling. Our recent market research suggests a decline of 28% in Shanxi raw coking coal spot price index from its high of RMB1,420/tonne. It should be noted that the price decline followed the index 84% year to date gain. Accordingly, Shanxi's coking coal spot price forecast has been lowered by 30% in 2009 to RMB 800/tonnes. Coking coal prices in the Erdos/Wuhai region typically are about 80% of the Shanxi spot prices suggesting the regional Erdos/Wuhai coking coal price is expected to be around RMB640/tonne in 2009. It is the Group's management's view that raw coal prices in the Erdos/Wuhai region could be as low as RMB320/tonne in early 2009 but we should see an improvement towards the normalized trading range of around RMB500/tonne during the second half of the calendar year. Current raw coal price in Erdos/Wuhai is around RMB370/tonne.

Recently, an unusual stalemate has developed between the steel companies and the coal producers in the Erdos/Wuhai region. The steel companies, armed with surplus inventory from diminishing sales, are driving down the coal spot price. As a result, both buyers and sellers of raw coal, coking coal and coke have adopted a wait and see attitude creating a temporary standstill in sales turnover. In this regard, the Group's management believes the current impasse will be temporary. We believe the surplus in steel inventory will soon be exhausted by the government's measures to expand domestic economic activities. China has significant infrastructure construction requirements that are driven by earthquake reconstruction initiative in Sichuan, urbanization and the continual need to develop logistical support to modernize China. Accordingly, the most obvious economic stimulus strategy is to accelerate these planned activities which will have the added benefit of lower input cost of construction for the Chinese government. It is therefore of no surprise that on 9 November 2008, Chinese State Council approved a RMB4.0 trillion (HK$4.5 trillion) stimulus package to be implemented immediately lasting into 2010 to boost domestic demand. The stimulus package taps 10 areas, where government spending will support budget housing, rural and key infrastructure construction, medical system improvements, environmental protection, industrial innovation and raising people's incomes.

Other recent events that further support imminent improvement in China's domestic economy (particularly the steel industry) include:

- Cao Desheng, deputy director of the Ministry of Communications' Water Transportation Department was quoted by the 21st Century Business Herald as confirming that the ministry planned to invest RMB5.0 trillion on transport infrastructure in the next three to five years.

- "Beijing would invest an extra 100 billion yuan from central government funds in the fourth quarter. It had also brought forward 20 billion yuan from next year's budget for earthquake reconstruction," Xinhua said. This will bring total investment for the fourth quarter to 400 billion yuan.

- At the Central Economic Work Conference, to be held late November, state leaders are expected to announce more concrete stimulus measures.

- Steel production forecast (released before the approval of the RMB4.0 trillion package) indicates a 9% increase in China's crude steel production in 2008, to be followed by a 6% increase in 2009 and a further increase of 9% in 2010.

The Group's north open pit mine has started production. We believe the collective impact of all the domestic economic stimulus initiatives would be fully realized at the beginning of the 2009 calendar year. Accordingly, we are scaling our outsourced production to be in synch with the expected upswing in steel and coke prices while minimizing the cost of carrying inventory. The south open pit is scheduled to start production in the 3rd quarter of the 2009 calendar year. We are targeting an aggregate of 2.0 million tonnes of raw coal to be produced from our 2 open pits in the 2009 calendar year.

Construction of the 1.5mt/annum beneficiation (washing) plant is scheduled to commence in March of 2009. The estimated capital expenditure is around RMB60 million. Commercial operation is scheduled for October of 2009. We are targeting production of 150,000 tonnes and 750,000 tonnes of coking coal for the 2009 and 2010 calendar years respectively.

Construction of the 1.5mt/annum underground mine will commence concurrently with the beneficiation plant in March of 2009. The underground mine construction will require 12 months to complete with trial production starting in the first quarter of 2010 calendar year and full commercial operation in the 3rd quarter of the same year. Total capital cost is estimated at approximately RMB350 million. The targeted underground mine coal production for the 2010 calendar year is approximately 300,000 tonnes.

We are seeking a RMB350 million bank loan from our bankers to fund the construction of the underground mine and the beneficiation plant. Approval in principle has been granted at the regional level and we expect provincial approval at the end of November 2008. The loan will then be reviewed by the bank's national committee and we are optimistic that the loan will be granted in early 2009. The balance of capital expenditure requirement for the underground mine and the beneficiation plant will be funded from cashflow generated from our open pit operation.

We are targeting the construction of the 1.0mt/annum coking plant to start in the later half of 2009. Construction will require 12 months to complete at an anticipated capital expenditure of approximately RMB300 million. We anticipate the bank will provide about RMB200 million of financing with the balance of the capital costs to be provided from operating cashflow.

We believe the current retracement in prices in raw coal is presenting the Group with an excellent opportunity to buy high quality coal assets in the Province of Inner Mongolia at attractive prices. Accordingly, we are actively seeking out acquisition opportunity to increase our coal reserve and production base. This will enable us to achieve greater economies of scale and to become a leading cost effective coking coal producer in China.

Financial Review

During the six months ended 30 September 2008, the Group has successfully transformed and diversified its business portfolio from furniture production into auto beauty and repairs operations services and integrated coke production.

Turnover from the continuing and discontinued operations of the Group for the three months and six months ended 30 September 2008 amounted to approximately HK$13.3 million and HK$27.2 million respectively (2007: HK$126.3 million and HK$217.7 million), representing a decrease of approximately 89.5% and 87.5% respectively as compared to the same period last year. The decrease in turnover was the result of the sale of the furniture business, which consequentially increased the bank and cash balance by HK$56.7 million as at 31 October 2007.

Correspondingly, gross profit of the Group for the three months and six months ended 30 September 2008 decreased to HK$9.7 million and HK$19.9 million respectively (2007: HK$38.1 million and HK$66.9 million). However the gross profit margin increase to 73.0% and 73.2% respectively on the ground that the gross profit margins of auto beauty and repairs business were comparatively higher than the furniture business.

For the three months and six months ended 30 September 2008, the total administrative and other operating expenses amounted to approximately HK$12.2 million and HK$26.5 million respectively (2007: HK$18.2 million and HK$30.1 million). These expenses included the recognition of share options issued on 24 June 2008 to the officers of the Group as share payment (independently valued at HK$3.48 million) in accordance with HKFRS 2 (Share Based Payment). These share payments do not represent cash outflows; however, they had to be charged against the Group's earnings.

For the three months and six months ended 30 September 2008, the total finance costs amounted to approximately HK$8.9 million and HK$10.8 million respectively (2007: HK$0.1 million and HK$0.3 million), mainly included an accrued bond interest payable on the Convertible Bonds amounted approximately to HK$8.8 million and HK$10.7 million respectively and are payable on 10 June 2009.

As the result of the Business Combination, the Group incorporated the effect of noncash revenue of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of its subsidiaries amounted to approximately HK$60.7 million in accordance with HKFRS 3 (Business Combination).

During the period, as there was a significant decrease in the share price of the Company, the fair value of derivative liability of the convertible notes increased accordingly, resulting in a fair value gain of HK$53.8 million which was credited in the consolidated income statement.

Net profit attributable to equity holders of the Company for the three months and six months ended 30 September 2008 amounted to approximately HK$103.3 million and HK$97.1 million respectively (2007: HK$4.3 million and HK$9.5 million), representing an increase of approximately 23 times and 9 times respectively as compared to the same period last year. The results incorporated the effect of noncash charges included the stock option payments, an accrued bond interest payable on the Convertible Bonds, the excess value of the Business Combination and fair value gain on derivative liability of convertible bonds.

Liquidity and Financial Resource

As at 30 September 2008, the Group has bank and cash balance of approximately HK$89.8 million (as at 31 March 2008: HK$119.2 million).

To satisfy the Acquisition, on 10 June 2008, the Group issued: (1) HK$170 million of Consideration Convertible Bonds and HK$600 million of Placing Convertible Bonds (collectively the "Convertible Bonds") and (2) 230 million of Consideration Shares (at HK$0.8 per share to raise a net capital fund of HK$184 million). The Convertible Bonds are unsecured, carry a maturity date of 10 June 2013 and bear interest at the rate of 1% per annum.

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.58 as at 30 September 2008 (as at 31 March 2008: 0.08).

Capital Structure

On 10 June 2008, the Group increased its share capital from 540 million shares to 770 million shares as a result of the issuance of 230 million of Consideration Shares to satisfy the Acquisition. Total equity attributable to equity holders of the Group as at 30 September 2008 was approximately HK$585 million (as at 31 March 2008: HK$128 million).

Foreign Exchange Exposure

The Group had minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in Hong Kong dollars ("HK$"). Going forward, the group may seek to change its functional currency from HK$ to Renminbi ("RMB") to reflect the RMB denomination of the Group's significant assets and incomes in PRC from the integrated coke producing business. The Group will formulate a foreign currency hedging policy to provide a reasonable margin of safety in our exposure in RMB transactions, assets and liabilities.

Human Resources

As at 30 September 2008, the Group had approximately 149 (as at 31 March 2008: 135) employees in Hong Kong. As the employees in PRC are employed by our associate, we have not incorporated the number of employee in PRC in this report. The Group continues to employ, promote and reward its staff with reference to their performance and experience. The Group also consistently adopt a policy of human resources enrichment, and provides training programme to its employees. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality.

The total staff costs, including Directors' emoluments and equity settled share-based payment, amounted to approximately HK$18.2 million (2007: HK$26.9 million) for the six months ended 30 September 2008.

OTHER INFORMATION

1. Directors' and Chief Executives' Interest and Short Positions in the Shares, underlying Shares and debentures of the Company or any associated corporations

As at 30 September 2008, the interests and short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("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, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company 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 the securities transactions by the Directors are as follows:

Long position in Shares and underlying Shares

Name of Directors	**Capacity**	**Number of Shares**	**Number of underlying Shares** *(Note)*	**Approximate percentage of the total issued Shares as at 30 September 2008**
Yeap Soon P, Jonathan	Beneficial owner	–	7,700,000	1.00%
Tse Chun Sing	Beneficial owner	–	5,400,000	0.70%
Wu Kam Hung	Beneficial owner	–	5,400,000	0.70%
Liew Swee Yean	Beneficial owner	–	540,000	0.07%
Siu Siu Ling, Robert	Beneficial owner	–	540,000	0.07%
Wong Yun Kuen	Beneficial owner	–	540,000	0.07%
Yang Geyan	Beneficial owner	9,800,000	–	1.27%

Note: The long position in the underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the Share Options granted by the Company to the above mentioned directors pursuant to the share option scheme of the Company. The above Share Options represent personal interest held by directors.

Details of the Share Options granted to the above Directors are set out in the section headed "SHARE OPTIONS".

Save as disclosed above, none of the Directors or the chief executives of the Company had any interests or short positions in the 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, or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company 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 the securities transactions by the Directors.

2. Interests and short positions of substantial shareholders in Shares and underlying Shares

As at 30 September 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:–

			Long Position			
Name of Shareholders	**Capacity**	**Nature of interest**	**Number of Shares**	**Number of underlying Shares**	**Total Interest**	**Approximate percentage of the total issued Shares as at 30 September 2008**
Plowright Investments Limited	Beneficial owner	Beneficial interest	80,000,000	–	80,000,000 *(Note 1)*	10.39%
Harmony Asset Limited	Interest of a controlled corporation	Corporate interest	80,000,000	–	80,000,000 *(Note 1)*	10.39%
Excel Formation Limited	Beneficial owner	Beneficial interest	60,944,000	–	60,944,000	7.91%
Cheng Yu Tung	Interest of a controlled corporation	Corporate interest	76,326,500	–	76,326,500 *(Note 2)*	9.91%
Gold Master Business Limited	Beneficial owner	Beneficial interest	81,000,000	–	81,000,000 *(Note 3)*	10.52%
Wong Wai Keung Dennis	Interest of a controlled corporation	Corporate interest	81,000,000	–	81,000,000 *(Note 3)*	10.52%
Glimmer Stone Investments Limited ("Glimmer")	Beneficial owner/Interest of a controlled corporation	Beneficial interest/ Corporate interest	110,727,250	631,000,000	741,727,250 *(Note 4)*	96.33%
GEM Global Yield Fund Limited ("GEM Global")	Beneficial owner/Interest of a controlled corporation	Beneficial interest/ Corporate interest	230,000,000	791,000,000	1,021,000,000 *(Note 5)*	132.59%
Brown Christopher Francis	Investment manager	Other interest	–	81,000,000	81,000,000	10.52%
Oriental Patron Financial Services Group Limited ("OPFSG")	Interest of a controlled corporation	Corporate interest	170,000,000	830,000,000	1,000,000,000 *(Note 6)*	129.87%
Oriental Patron Financial Group Limited ("OPFG")	Interest of a controlled corporation	Corporate interest	170,000,000	830,000,000	1,000,000,000 *(Note 6)*	129.87%
Zhang Gaobo	Interest of a controlled corporation	Corporate interest	170,000,000	830,000,000	1,000,000,000 *(Note 6)*	129.87%
Zhang Zhi Ping	Interest of a controlled corporation	Corporate interest	170,000,000	830,000,000	1,000,000,000 *(Note 6)*	129.87%

Notes:

1. Plowright Investments Limited is a wholly-owned subsidiary of Harmony Asset Limited, the shares of which are listed on the main board of the Stock Exchange. Harmony Asset Limited is deemed to be interested in the 80,000,000 Shares held by Plowright Investments Limited under the SFO.

2. These 76,326,500 Shares are held as to 15,382,500 Shares by Huge Mars International Limited and 60,944,000 Shares by Excel Formation Limited. Huge Mars International Limited and Excel Formation Limited are wholly-owned by Cheng Yu Tung, who is deemed to be interested in those Shares held by Huge Mars International Limited and Excel Formation Limited under the SFO.

3. Gold Master Business Limited is wholly-owned by Wong Wai Keung, Dennis, who is deemed to be interested in 81,000,000 Shares held by Gold Master Business Limited under the SFO.

4. These 741,727,250 Shares and underlying Shares represent the aggregate of: (i) the 110,727,250 Shares held by Grand Pacific Source Limited ("Grand Pacific"), a wholly-owned subsidiary of Glimmer; and (ii) 170,000,000 underlying Shares held by Grand Pacific and 461,000,000 underlying Shares held by Glimmer. Accordingly, Glimmer is deemed to be interested in those Shares and underlying Shares held by Grand Pacific under the SFO.

5. These 1,021,000,000 Shares and underlying Shares represent the aggregate of: (i) the 230,000,000 Shares held by Grand Pacific, which was a wholly-owned subsidiary of GEM Global; and (ii) 170,000,000 underlying Shares held by Grand Pacific and 621,000,000 underlying Shares held by GEM Global. Accordingly, GEM Global is deemed to be interested in those Shares and underlying Shares held by Grand Pacific under the SFO.

   The Directors are unable to ascertain the interests of GEM Global as at 30 September 2008 and confirm whether the interests of GEM Global as at 30 September 2008 have been accurately shown . The interest of GEM Global as shown was disclosed in the corporate substantial notice of GEM Global filed on 3 April 2008 and recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO. As set out in the Company's announcement dated 3 June 2008, the Company received default notification from GEM Global in relation to HK$540 Million Placing Convertible Bonds (as defined in such announcement). Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of such default. In addition to the default of the Placing Convertible Bonds mentioned above, as set out in the Company's announcements dated 3 June 2008 and 11 June 2008, on 10 June 2008, 230 million Consideration Shares (as defined in such announcements) were allotted and issued to Grand Pacific, the entire equity interests of which were acquired by Glimmer from GEM Global on the same day, and 60 million Consideration Shares were transferred from Grand Pacific to GEM Global as consideration for such acquisition. Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of the acquisition of Grand Pacific by Glimmer mentioned above. The Company has not received any updated corporate substantial notice of GEM Global after 3 April 2008. However, the Directors cannot exclude the possibility that GEM Global may have acquired or disposed of any interests in shares or underlying shares of the Company after the above announcements.

   The Directors are also unable to ascertain the shareholding of GEM Global from the register of members of the Company as the information contained therein may not reflect the actual beneficial shareholdings of the shareholders (i.e. the registered shareholders may be have trustee or holding some shares of the Company on behalf of the others and this kind of interest is not required to be disclosed under the SFO).

6. These 1,000,000,000 Shares and underlying Shares represent the aggregate of: (i) the 110,727,250 Shares held by Grand Pacific, a wholly-owned subsidiary of Glimmer, and 59,272,750 Shares held by Pacific Top Holding Limited ("Pacific Top") a wholly-owned subsidiary of OPFSG; and (ii) 170,000,000 underlying Shares held by Grand Pacific, 461,000,000 underlying Shares held by Glimmer, a company which is held 43.8% by OPFSG, and 199,000,000 underlying Shares held by Pacific Top. OPFSG is a 95% subsidiary of OPFG. Mr. Zhang Gaobo and Mr. Zhang Zhi Ping are respectively interested in 49% and 51% of OPFG. Accordingly, OPFSG, OPFG, Mr. Zhang Gaobo and Mr. Zhang Zhi Ping are deemed to be interested in those Shares and underlying Shares held by Grand Pacific, Glimmer and Pacific Top under the SFO.

7. The long positions in underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the Convertible Bonds issued by the Company on 10 June 2008.

The Directors were not aware of any other person (other than the Directors and the chief executives of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 & 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

3. Share Options

A share option scheme (the "Scheme") was adopted by the shareholders of the Company by way of written resolutions passed on 9 December 2003. The principal purpose of the Scheme is to enable the Group to grant options to subscribe for Shares to the eligible person as incentives or rewards for their contributions to the Group.

On 24 June 2008, as approved by the Board of Directors, a total of 12.7 million Options have been granted to a director and a staff to subscribe for a total of 12.7 million shares of the Company at an exercise price of HK$0.78 per share. No share options have been exercised since 19 February 2008 and up to the date of this announcement. As at 30 September 2008, a total of 19.7 million Shares, representing 2.55% of the existing issued share capital of the Group are available for issue in respect of the remaining options which may be granted under the Scheme.

Details of the share options granted under the Scheme during the period are as follows:–

	Date of Grant	Exercise Period	Number of Options: Outstanding as at 1/4/2008	Grant during the period	Exercise during the period	Outstanding as at 30/9/2008	Exercise Price *(HK$)*	Closing Price of Shares immediately before the date of grant *(HK$)*
Directors								
Tse Chun Sing	19/2/2008	19/2/2008-18/2/2011	5,400,000	–	–	5,400,000	0.69	
Wu Kam Hung	19/2/2008	19/2/2008-18/2/2011	5,400,000	–	–	5,400,000	0.69	
Liew Swee Yean	19/2/2008	19/2/2008-18/2/2011	540,000	–	–	540,000	0.69	
Siu Siu Ling, Robert	19/2/2008	19/2/2008-18/2/2011	540,000	–	–	540,000	0.69	
Wong Yun Kuen	19/2/2008	19/2/2008-18/2/2011	540,000	–	–	540,000	0.69	
Yeap Soon P, Jonathan	24/6/2008	24/6/2008-23/6/2011	–	7,700,000	–	7,700,000	0.78	0.81
		Sub-total	12,420,000	7,700,000	–	20,120,000		
Employees in aggregate	19/2/2008	19/2/2008-18/2/2011	2,700,000	–	–	2,700,000	0.69	
	24/6/2008	24/6/2008-23/6/2011	–	5,000,000	–	5,000,000	0.78	0.81
Other participants in aggregate	19/2/2008	19/2/2008-18/2/2011	6,480,000	–	–	6,480,000	0.69	
		Grand-total	21,600,000	12,700,000	–	34,300,000		

Details of the share options outstanding during the period are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
	'000	***HK$***	*'000*	*HK$*
Outstanding at the beginning of the period	**21,600**	**0.69**	–	N/A
Granted during the period	**12,700**	**0.78**	–	N/A
Outstanding at the end of the period	**34,300**	**0.72**	–	N/A
Exercisable at the end of the period	**34,300**	**0.72**	–	N/A

The options outstanding at the end of the period have a weighted average remaining contractual life of 2.75 years (31 March 2008: 2.9 years) and the exercise prices was HK$0.72 (31 March 2008: HK$0.69). During the period, options were granted on 24 June 2008. The estimated fair value of the options on this date is HK$3,478,178.

This fair value was calculated using the Black-Scholes Model. The inputs into the model were as follows:

	30 September 2008 (Unaudited)	31 March 2008 (Audited)
Weighted average share price	HK$0.72	HK$0.69
Weighted average exercise price	HK$0.72	HK$0.69
Expected volatility	79%	86.14%
Expected life	2.33~2.75 years	2.9 years
Risk free rate	3.279%	1.505%
Expected dividend yield	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over 730 days. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

4. Directors' Interest in Competing Business

None of the Directors or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

5. Audit Committee

The Company has established an audit committee on 9 December 2003 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 and supervise the financial reporting process and internal control system of the Group.

The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides an important link between the Board and the Company's auditors in those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit, internal control and risk evaluation. The audit committee comprises three independent non-executive Directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen, and Mr. Liew Swee Yean is the chairman of the audit committee.

The unaudited interim results for the six months ended 30 September 2008 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

6. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 30 September 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the six months ended 30 September 2008.

7. Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30 September 2008. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

8. Code on Corporate Governance Practice

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2008.

By order of the Board
Chan Nap Kee, Joseph
Chairman

Hong Kong, 10 November 2008

As at the date of this announcement, the executive directors of the Company are Mr. Chan Nap Kee, Joseph, Mr. Yeap Soon P, Jonathan, Dr. Chow Pok Yu, Augustine, Mr. Wu Kam Hung and Mr. Yang Geyan. The independent non-executive directors of the Company are Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen.

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