



遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

INTERIM RESULTS

The board of directors (the “Board”) of Far East Holdings International Limited (the “Company”) herein present their unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2008 together with comparative amounts. The interim financial report has not been audited, but has been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2008

		Unaudited six months ended 30th June,	
	Notes	2008 HK\$'000	2007 HK\$'000
Gross proceeds	3	<u>49,223</u>	<u>39,248</u>
Sale of goods	3	12,280	14,914
Property rental income	3	809	764
Cost of sales		<u>(12,331)</u>	<u>(14,743)</u>
Gross profit		758	935
Dividend income from available-for-sale investment		83	71
Dividend income from held-for-trading investments		500	455
Increase in fair value of held-for-trading investments		(7,156)	6,673
Other income		842	949
Selling and distribution costs		(1,448)	(74)
Administrative expenses		(8,651)	(6,962)
Finance costs		(808)	(498)
Gain on disposal of available-for-sale investments		–	609
Imputed interest on debt component of convertible note		–	196
Gain on conversion of convertible notes		–	3,660
Increase in fair value of investment properties		1,815	11,151
Gain on disposal of interest in an associate		–	28,148
Net gain (loss) on deemed disposal of an associate		648	(8,774)
Share of results of associates		<u>7,724</u>	<u>2,115</u>
(Loss) profit before taxation	4	<u>(5,693)</u>	38,654
Taxation charge	5	<u>(31)</u>	<u>(315)</u>
(Loss) profit for the period		<u>(5,724)</u>	<u>38,339</u>
Attributable to:			
Equity holders of the Company		(4,682)	38,272
Minority interests		<u>(1,042)</u>	<u>67</u>
		<u>(5,724)</u>	<u>38,339</u>
Dividend, paid	6	<u>(3,028)</u>	–
(Loss) earnings per share			
Basic	7	<u>(3.2 HK cents)</u>	<u>35.0 HK cents</u>
Diluted		<u>(6.4 HK cents)</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2008

		30/6/2008 (unaudited) HK\$'000	31/12/2007 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties		26,045	24,230
Property, plant and equipment		15,820	15,916
Prepaid lease payments		23,946	24,203
Intangible assets		6,762	–
Goodwill		36,822	–
Interests in associates		124,957	103,344
Available-for-sale investments		36,105	38,852
Other non-current assets		7,103	5,271
		277,560	211,816
CURRENT ASSETS			
Prepaid lease payments		659	653
Held-for-trading investments		40,105	43,038
Inventories		8,138	6,515
Trade and other receivables	8	16,474	1,123
Prepayment		6,833	–
Amount due from a director		–	22,103
Amount due from an associate		640	640
Amount due from a minority shareholder		3,777	2,320
Amounts due from related companies		4,793	4,487
Tax prepaid		152	121
Deposits held at financial institutions		9,261	10,890
Bank balances and cash		48,831	82,686
		139,663	174,576
CURRENT LIABILITIES			
Trade and other payables	9	9,382	10,598
Amounts due to directors		1,548	1,476
Amount due to a minority shareholder		297	297
Amounts due to related companies		1,574	1,594
Bank and other loans			
– due within one year		6,165	9,015
Obligations under a finance lease			
– due within one year		145	136
		19,111	23,116
NET CURRENT ASSETS			
		120,552	151,460
		398,112	363,276

CONDENSED CONSOLIDATED BALANCE SHEET (*Continued*)
As at 30th June, 2008

	30/6/2008 (unaudited) HK\$'000	31/12/2007 (audited) HK\$'000
CAPITAL AND RESERVES		
Share capital	3,028	1,304
Reserves	351,283	326,794
	<hr/>	<hr/>
Equity attributable to equity holders of the Company	354,311	328,098
Minority interests	26,246	17,108
	<hr/>	<hr/>
	380,557	345,206
	<hr/>	<hr/>
NON-CURRENT LIABILITIES		
Bank and other loans		
– due after one year	17,212	17,633
Obligations under a finance lease		
– due after one year	39	114
Deferred taxation	304	323
	<hr/>	<hr/>
	17,555	18,070
	<hr/>	<hr/>
	398,112	363,276
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the 2007 annual financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2007 except as described below:

In current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”), issued by the HKICPA that is effective for accounting periods beginning on or after 1st January, 2008. The adoption of the new HKFRSs has had no material effect on how the results and financial position of the Group for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 12	Service Concession Arrangements ³
HK(IFRIC) – INT 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation ⁵

¹ Effective for annual periods beginning on or after 1st January, 2009.

² Effective for annual periods beginning on or after 1st July, 2009.

³ Effective for annual periods beginning on or after 1st January, 2008.

⁴ Effective for annual periods beginning on or after 1st July, 2008.

⁵ Effective for annual periods beginning on or after 1st October, 2008.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

	Continuing operations							
	Securities investment and trading		Property development and investment		Industrial and background music distribution services		Consolidated	
	Unaudited six months ended 30th June,							
	2008	2007	2008	2007	2008	2007	2008	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Gross proceeds	36,134	23,570	809	764	12,280	14,914	49,223	39,248
Revenue	–	–	809	764	12,280	14,914	13,089	15,678
RESULTS								
Segment results	(11,683)	6,358	1,832	10,117	(3,881)	1,044	(13,732)	17,519
Other income							842	949
Finance costs							(808)	(498)
Unallocated expenses							(367)	(805)
Gain on disposal of interest in an associate							–	28,148
Net gain (loss) on deemed disposal of an associate							648	(8,774)
Share of results of associates							7,724	2,115
(Loss) profit before taxation							(5,693)	38,654
Taxation charge							(31)	(315)
(Loss) profit for the period							(5,724)	38,339

3. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China (the "PRC") and Japan.

The following table provides an analysis of the Group's sales by geographical market based on location of customers, irrespective of the origin of goods/services:

	Sales revenue by geographical market Unaudited six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
Hong Kong	3,838	3,744
The PRC	1,357	331
Japan	7,894	11,603
	<u>13,089</u>	<u>15,678</u>

4. (LOSS) PROFIT BEFORE TAXATION

	Unaudited six months ended 30th June,	
	2008 HK\$'000	2007 HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	329	41
Auditor's remuneration	600	301
Cost of inventories recognised as expense	12,322	13,797
Depreciation	1,256	1,467
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK\$951,195 (2007: HK\$764,500)	5,890	5,500
Exchange loss (gain), net	437	(94)
Operating lease payment in respect of rented premises	835	168
Share of tax of associates (included in share of results of associates)	760	972
and after crediting:		
Dividend income from available-for-sale investment	83	71
Rental income from investment properties, less outgoings of HK\$9,181 (2007: HK\$16,881)	799	748
	<u>799</u>	<u>748</u>

5. TAXATION CHARGE

**Unaudited six months
ended 30th June,**
2008 2007
HK\$'000 *HK\$'000*

The taxation charge comprises:

PRC enterprise income tax:		
Current period	<u>(49)</u>	<u>(18)</u>
	(49)	(18)
Deferred taxation	<u>18</u>	<u>(297)</u>
	<u>(31)</u>	<u>(315)</u>

PRC enterprise income tax is calculated at a rate of 25% (six months ended 30th June, 2007: 24%). Where the export sales of the relevant entity exceeds a certain percentage, that entity will entitle to enjoy a concession tax rate of 12%.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 24% to 25% for the subsidiary operating in the PRC from 1st January, 2008.

6. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2008 (six months ended 30th June, 2007: Nil).

7. (LOSS) EARNINGS PER SHARE

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

	Unaudited six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to equity holders of the Company	(4,682)	38,272
Effect of dilutive potential shares of associates based on dilution of their earnings per share	(4,641)	–
(Loss) earnings for the purpose of diluted (loss) earnings per share	(9,323)	38,272
	2008	2007

Number of shares

Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	144,298,955	109,450,595
Effect of dilutive potential ordinary shares on share options	1,688,396	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	145,987,351	109,450,595

No adjustment has been made for the potential ordinary shares of the associate as the effect in 2007 is anti-dilutive.

8. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group has a policy of allowing a credit period of 30 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on presentation of invoices. The aged analysis of trade receivable is as follows:

	THE GROUP	
	30/6/2008	31/12/2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	2,653	–
31– 60 days	–	601
61 – 90 days	30	–
Over 90 days	67	26
	<hr/>	<hr/>
Total trade receivables	2,750	627
Other receivables	13,724	496
	<hr/>	<hr/>
	16,474	1,123
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of trade receivables are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. No allowance for doubtful debts are provided and any uncollectible debts are written off directly.

9. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	THE GROUP	
	30/6/2008	31/12/2007
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	110	180
61 – 90 days	41	–
Over 90 days	83	52
	<hr/>	<hr/>
Total trade payables	234	232
Other payables	9,148	10,366
	<hr/>	<hr/>
	9,382	10,598
	<hr/> <hr/>	<hr/> <hr/>

10. COMMITMENTS

During 2008 and 2007, Jubilee Star Limited (“Jubilee Star”), a subsidiary of the Group and China Aviation Supplies Import and Export Group Corporation* (“China Aviation”) entered into conditional agreements for the transformation of Beijing Kailan Aviation Technology Co. Ltd. (“Beijing Kailan”) into an equity joint venture through capital injection. Based on the revised agreement, Jubilee Star agreed to contribute RMB38 million into Beijing Kailan. Upon the fulfillment of conditions set out in the revised joint venture agreement, Jubilee Star and China Aviation will own 20.02% and 79.98% equity interest in Beijing Kailan respectively.

Save as above, no other commitment contracted but not provided; or approved but not contracted for in the financial statements.

* *Unofficial English translation of the official name in Chinese*

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER’S STATEMENT CORPORATE RESULTS

During the six months period ended 30th June, 2008 (the “Period”) the Company and its subsidiaries (the “Group”) reported a turnover of HK\$49.22 million (2007: HK\$39.25 million), representing a rise of 25.4% over corresponding period in 2007. The Group’s loss attributable to equity holders of the Company amounted to HK\$4.68 million (2007: profit of HK\$38.27 million) representing a decline of 112% over corresponding period in 2007.

BUSINESS REVIEW

PORTFOLIO COMPANIES

Chinasoft International Limited (“Chinasoft”)

The Group has reduced its shareholdings in Chinasoft to approximately 131.27 million shares and its holdings as at 30th June, 2008 is 13.10%. Chinasoft has satisfactory results for the first half of 2008 with approximately turnover of RMB 449.67 million and net profit of RMB 68.97 million (contributable to the Group is HK\$9.2 million).

The gross profit margin of Hinge Global Resources Inc.’s business acquired in the second half of 2007 was lower than that of the original business of Chinasoft. It resulted in a slight decrease in overall gross profit margin of Chinasoft during the reporting period. With the development of Chinasoft’s business management and the gradual surfacing of the synergy effect from acquisitions, Chinasoft’s gross profit margin will improve and increase accordingly.

It was mainly because most of Chinasoft business and profit contribution were from the People’s Republic of China (the “PRC”) which has been hit by a series of natural disasters such as snowstorm and earthquake in the first half of 2008. In addition, the change of focus brought forward by the Beijing 2008 Olympics Games event has caused certain government institutions to adjust their IT buildup plans and postpone the IT implementation originally scheduled in the reporting period. As government institutions are the main clients of Chinasoft’s solution business, the adjustment has resulted in

a slowdown effect in the gain and profit of Chinasoft business during the reporting period. The growth in the Chinasoft's recurring incomes generated from its outsourcing service, e-Services and software maintenance service are stably on tracks. Chinasoft will continue to be benefited from such growing revenue streams while the operation efficiency and the economic scale are being improved.

Beijing Golden Music Resources Management Technology Co., Ltd. ("GMR")

The Company entitled to the entire issued share capital of Wealth Trend Investment Limited ("Wealth Trend"), which in turn holds 65% equity interest of GMR, a sino-foreign equity joint venture established in the PRC. The principal business activities of GMR are copy right related business. According to the management accounts of GMR, as at 30th June, 2008, the unaudited total assets of GMR was approximately RMB 20.9 million and the unaudited net asset value of GMR was approximately RMB 20.7 million. From 13th August, 2007, the date of establishment of GMR, to 30th June, 2008, GMR recorded a net loss of approximately RMB 2.9 million.

The Group believes that piped music playing equipments and related services will continue to be a very popular service in most large department stores in PRC and a major growth driver in the revenue of GMR in the second half year of 2008.

Manufacturing

Beijing Kailan Aviation Technology Co. Ltd. ("Beijing Kailan")

Upon completion of the transformation, Beijing Kailan will be owned as to approximately 79.98% by China Aviation Supplies Import and Export Group Corporation and as to approximately 20.02% by Jubilee Star Limited, a wholly owned subsidiary of the Company. During the Period, Beijing Kailan has recorded a turnover of approximately RMB 36.3 million (2007: RMB 32.7 million) representing a rise of 11% over the corresponding period in 2007 and net profit of RMB 3.3 million (2007: RMB 2.2 million) representing an increase of 50% over corresponding period in 2007.

Demand for the Beijing Kailan's services are expected to remain firm notwithstanding the negative impact of high fuel prices on the aviation industry. Therefore, it is expected that Beijing Kailan's business will continue to growth in the second half of the year.

Jiangsu Bang Bang Silky Fashion Manufacturer Co. Ltd.

The Group's manufacturing operations, Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited ("Jiangsu Bang Bang"), 51% subsidiary of the Group being affected by the US economy slump, as at 30th June, 2008, Jiangsu Bang Bang recorded a turnover of RMB 10.2 million (2007: RMB 14.9 million) representing 32% decrease comparing with the corresponding period in 2007 and a net loss of RMB 0.28 million (2007: profit, RMB 0.15 million) representing a decline of 287% comparing with the corresponding period in 2007. The profit margin of the garment manufacturing and trading business of Jiangsu Bang Bang is likely to be affected by the economic slowdown in the Japan market as well as the increase in production costs owing to

inflation and the appreciation of Reminbi. The Group will strive to improve profit margin by offering a variety of value added services to its customers and implementation of stringent cost control. With the gloomy global economic outlook, the Group has negative view on the performance of Jiangsu Bang Bang in the second half of 2008.

Retail

Golife Concepts Holdings Limited

The Group has reduced its shareholdings in Golife Concepts Holdings Limited (“Golife”) to approximately 429.37 million shares and its deemed shareholdings as at 30th June, 2008 is 33.36%. Golife has recorded the first half of 2008 with approximately turnover of HK\$35.25 million and net loss of HK\$25.14 million. Within the total losses, HK\$22.4 million was attributed by the termination of the acquisition of Financiere Solola in April 2008 and certain related financing exercises. Excluding the one-time losses that were attributed from the termination of this acquisition, Golife’s net loss attributable to shareholders was HK\$2.74 million. Golife believes the Life of Circle brand has enormous long-term potential and it is a matter of time for the brand to reach the critical mass. Despite Golife’s unsuccessful acquisition of French-brand Solola, Golife will continue to seek and identify unique international accessory and apparel brands with character, market potential and longevity to form distribution, product development and equity partnerships.

Financial Services

First Credit Limited (“First Credit”) is a wholly owned subsidiary of First Holdings Consortium Limited, which the Group holds 12% equity interest. The principal business activities include mortgage loan, SME business loan, securities mortgage and project financing as well as personal loan. In additions, First Credit has developed a strong branch network throughout Hong Kong. First Credit has reported the first half of 2008 with approximately turnover of HK\$22 million and net profit of HK\$11 million. First Credit will continue to improve in customer service quality and business development, as well as the vast customer base and merchant networks that have been built up rapidly, will provide First Credit with a strong driving force to grow in credit and mortgage business market.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2008, the Group had cash and bank balances, and deposits held at financial institutions amounting to HK\$58.09 million (2007: HK\$93.58 million). Basically, the Group’s funding policy is to finance the business operations with internally generated cash and bank facilities. As at 30th June, 2008, the Group had total borrowings of HK\$23.38 million (2007: HK\$26.65 million) of which HK\$6.17 million (2007: HK\$9.01 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group’s borrowings were denominated in Hong Kong dollar, Japanese Yen and United States dollar. Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

Gearing Ratio and Current Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2008 dropped to 6.65% (2007: 8.20%). While the Group's current ratio (current assets to current liabilities) as at 30th June, 2008 has been maintained at a healthy level of 7.31 (2007: 7.55). The Group continues to implement prudent financing policy to reduce short-term borrowing as much as possible in order to ensure that the Group will not be affected by short-term uncertainties and exchange rate fluctuation.

Capital Structure

In January 2008, 968,348 share options out of a total 2,118,348 granted in 2005 and 2006 were exercised.

On 2nd February, 2008, ordinary resolutions were duly passed at the extraordinary general meeting of the Company in relation to the acquisition of the advertising and development of background music equipment businesses from Allied Wealth Holdings Limited (the "Allied Wealth") by the Company through a wholly-owned subsidiary, Golden Star Investment Limited (the "Golden Star") and the issue and allotment of the 20,000,000 new shares of the Company to the Allied Wealth as part of the consideration payable under the sale and purchase agreement dated 2nd January, 2008.

In the 2008 annual general meeting held on 30th May, 2008, shareholders of the Company approved the issue of bonus shares by way of capitalization of the sum of HK\$1,514,189.43 from the share premium account that based on 151,418,943 ordinary shares of HK\$0.01 each issued by the Company, one bonus share to be issued for every one ordinary share each held by such shareholders on 30th May, 2008.

During the Period, due to the exercise of share option, issue of consideration shares and bonus shares, the total issued share capital of the Company increased from 130,450,595 shares to 302,837,886 shares.

	<i>Number of shares</i>
At 1st January, 2008	130,450,595
Exercise of share option	968,348
Issue of consideration shares	20,000,000
Issue of bonus shares	151,418,943
	<hr/>
At 30th June, 2008	<u>302,837,886</u>

Pledge of Assets

As at 30th June, 2008, certain assets of the Group with an aggregate carrying value of approximately HK\$64.2 million (2007: HK\$61.8 million) were pledge to secure loans facilities utilized by the Group.

Exposure on Foreign Exchange Fluctuations

The Group had no significant exposure to foreign exchange fluctuation during the Period.

Contingent Liabilities and Commitments

Contingent Liabilities

As at 30th June, 2008, the Group had no contingent liabilities (2007: Nil).

Capital Commitments

	30th June, 2008	31st December, 2007
	<i>HK\$ million</i>	<i>HK\$ million</i>
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of approximately 20.02% equity interest in Beijing Kailan Aviation Technology Co., Ltd.	36.28	40.66

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 2nd January, 2008, Golden Star, Allied Wealth, Mr. Sin Kwok Lam and the Company entered into a conditional sale and purchase agreement. Pursuant to which Golden Star has conditionally agreed to acquire and Allied Wealth has conditionally agreed to sell the entire issued share capital of Wealth Trend at an aggregate consideration of HK\$40,000,000. After that, the Company entitled to the entire issued capital of Wealth Trend, which in turn holds 65% equity interest of GMR, a sino-foreign equity joint venture established in the PRC.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2008 (2007: Nil).

EMPLOYEE

As at 30th June, 2008, the Group had approximately 330 employees in Hong Kong and the PRC (2007: 500 employees) with majority of these employees employed in the PRC. Employees are remunerated in accordance with nature of the job and market conditions. Staff incentive bonus and discretionary employee share options would be granted to reward and motivate those well performed employees.

PROSPECTS

The US economic environment is expected to remain sluggish, being affected by the credit market crisis and current unfavorable economic climate, the global financial markets may be adversely affected.

Despite tightened monetary policy in China, the growing economy in Mainland China remains a booster to Hong Kong investors. Business opportunities for certain niche markets remain opened for the various sectors. With a view of China's growth in the long term, the Group will assess new potential investments as they may arise, prudently exploring opportunities in the region.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2008, with deviation from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all non-executive directors of the Company are subject to the retirement by rotation and re-election at each annual general meeting under Articles 79 and 80 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The audit committee of the Company comprised of one non-executive director and three independent non-executive directors namely, Mr. Derek Chiu, Dr. Lee G. Lam, Mr. Hing Wah Yim and Mr. Eugene Yun Hang Wang respectively.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30th June, 2008.

REMUNERATION COMMITTEE

The Company had established a remuneration committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and the managing director, Mr. Duncan Chiu of the Company. The remuneration committee is principally responsible for formulation and making recommendation to the board on the Group's policy and structure for all remuneration of directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June, 2008.

On behalf of the Board

DUNCAN CHIU

Managing Director and Chief Executive Officer

Hong Kong, 22nd September, 2008

As at the date of this announcement, the executive directors are Deacon Te Ken Chiu J.P., Mr. Duncan Chiu and Mr. Dennis Chiu, the non-executive directors are Tan Sri Dato’ David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu, and the independent non-executive directors are Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and Mr. Hing Wah Yim.