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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, 2010**

INTERIM RESULTS

The Board of Directors (the “Board”) of Far East Holdings International Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2010 together with comparative amounts. The interim financial report has not been audited, but has been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

		Unaudited six months ended 30th June,	
	<i>Notes</i>	2010	2009
		HK\$'000	HK\$'000
Revenue	3	15,614	9,997
Cost of sales		(12,517)	(9,401)
		<hr/>	<hr/>
Gross profit		3,097	596
Dividend income from available-for-sale investments		49	4
Dividend income from held-for-trading investments		129	166
Other income		88	34
Other gains and losses	4	25,850	4,466
Selling and distribution costs		(4,508)	(4,485)
Administrative expenses		(7,777)	(7,931)
Finance costs		(253)	(276)
Share of results of associates		638	(5,652)
Share of results of jointly controlled entities		475	184
		<hr/>	<hr/>
Profit (loss) before tax	5	17,788	(12,894)
Income tax (expense) credit	6	(131)	188
		<hr/>	<hr/>
Profit (loss) for the period		17,657	(12,706)
		<hr/>	<hr/>
Other comprehensive income			
Exchange differences arising from translation of foreign operations		271	7,087
Fair value (loss) gain on available-for-sale financial assets		(1,730)	2,292
Share of other comprehensive income of an associate		839	(5,567)
		<hr/>	<hr/>
		(620)	3,812
		<hr/>	<hr/>
Total comprehensive income (expense) for the period		17,037	(8,894)
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

		Unaudited six months ended 30th June,	
	<i>Notes</i>	2010	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) attributable to:			
Owners of the Company		18,725	(10,478)
Minority interests		(1,068)	(2,228)
		<u>17,657</u>	<u>(12,706)</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		17,978	(7,172)
Minority interests		(941)	(1,722)
		<u>17,037</u>	<u>(8,894)</u>
		<i>HK cents</i>	<i>HK cents</i>
EARNINGS (LOSS) PER SHARE			
Basic	8	<u>6.2</u>	<u>(3.5)</u>
Diluted	8	<u>4.6</u>	<u>(3.5)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2010

	<i>Notes</i>	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties		17,365	14,845
Property, plant and equipment		18,594	24,298
Prepaid lease payments		1,022	23,019
Goodwill		28,830	30,926
Interests in associates		115,395	109,693
Interests in jointly controlled entities		38,464	37,990
Available-for-sale investments		28,058	27,536
Other non-current assets		5,477	5,477
Amount due from a jointly controlled entity		2,450	2,030
		255,655	275,814
CURRENT ASSETS			
Prepaid lease payments		32	596
Held-for-trading investments		6,996	23,443
Inventories		4,179	3,613
Trade and other receivables	9	7,082	3,896
Amount due from a minority shareholder		2,470	4,588
Amounts due from a related company		9	9
Tax prepaid		87	–
Deposits held at financial institutions		2,618	2,324
Pledged bank deposits		2,500	2,501
Bank balances and cash		47,688	23,201
		73,661	64,171
CURRENT LIABILITIES			
Trade and other payables	10	10,477	15,304
Amounts due to directors		1,580	1,565
Amount due to minority shareholders		1,215	1,207
Amounts due to a related company		1,136	1,136
Tax liabilities		–	107
Bank and other loans			
– due within one year	11	2,064	8,724
Dividend payable to a minority shareholder		20	20
Obligations under finance leases			
– due within one year		357	336
		16,849	28,399
NET CURRENT ASSETS		56,812	35,772
TOTAL ASSETS LESS CURRENT LIABILITIES		312,467	311,586

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2010

		30/6/2010	31/12/2009
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
CAPITAL AND RESERVES			
Share capital		3,028	3,028
Share premium and reserves		291,579	273,601
		<hr/>	<hr/>
Equity attributable to owners of the Company		294,607	276,629
Minority interests		17,828	18,769
		<hr/>	<hr/>
		312,435	295,398
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Bank and other loans			
– due after one year	11	–	15,972
Obligations under finance leases			
– due after one year		32	216
		<hr/>	<hr/>
		32	16,188
		<hr/>	<hr/>
		312,467	311,586
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

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 2009 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, 2009 except as described below:

In the current period, the Group has applied the following new and revised Standards, Amendments and Interpretations (collectively the “new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments) HKAS 27 (Revised)	Improvements to HKFRSs 2009 Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for the loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January 2010.

The directors of the Company anticipate that the application of HKFRS 3 (Revised) and HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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

As part of Improvements to HKFRSs issued in 2009, HKAS 17 “Leases” has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the condensed consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The adoption of improvements to HKAS 17 had no material effect on the Group’s condensed consolidated financial statements for the current or prior accounting period.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendment)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.

² Effective for annual periods beginning on or after 1st February, 2010.

³ Effective for annual periods beginning on or after 1st July, 2010.

⁴ Effective for annual periods beginning on or after 1st January, 2011.

⁵ Effective for annual periods beginning on or after 1st January, 2013.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. SEGMENTS INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Managing Director and Chief Executive Officer of the Group) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

Specifically, in prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. securities investment and trading, property development and investment, industrial – manufacturing and sales of garment and provision of background music and music licensing services). However, information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment is more specifically focused on the category of different industries. The principal categories of these industries are industrial, entertainment, technology, aviation and other operation. The Group's operating segments under HKFRS 8 are therefore as follows:

1. Industrial – manufacturing and sale of garments
2. Entertainment – provision of background music and music licensing and video on demand services by the subsidiaries and the jointly controlled entity
3. Technology – provision of information technology services by an associate
4. Aviation – provision of aviation maintenance services provided by the jointly controlled entity
5. Other operation – property investment

Information regarding the above segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

3. SEGMENTS INFORMATION *(Continued)*

Segment revenues and results

The following is the analysis of the Group's revenue and results by operating segment:

2010

	Industrial	Entertainment	Technology	Aviation	Other operation	Elimination	Consolidated
	Unaudited six months ended 30th June,						
	2010	2010	2010	2010	2010	2010	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
External revenue	9,300	6,314	-	-	-	-	15,614
Inter-segment revenue	-	-	-	-	600	(600)	-
Total	9,300	6,314	-	-	600	(600)	15,614
Segment result	415	(6,861)	4,863	650	21,515	-	20,582
Other income							88
Finance costs							(253)
Unallocated expenses							(3,221)
Increase in fair value of held-for-trading investments							592
Profit before tax							17,788

3. SEGMENTS INFORMATION (Continued)

Segment revenues and results (Continued)

2009

	Industrial	Entertainment	Technology	Aviation	Other operation	Elimination	Consolidated
	2009	2009	2009	2009	2009	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
External revenue	6,885	2,728	-	-	384	-	9,997
Inter-segment revenue	-	-	-	-	1,332	(1,332)	-
Total	6,885	2,728	-	-	1,716	(1,332)	9,997
Segment result	103	(6,635)	(4,666)	184	(1,021)	-	(12,035)
Other income							34
Finance costs							(276)
Unallocated expenses							(4,363)
Increase in fair value of derivative financial instruments							(154)
Increase in fair value of held-for-trading investments							4,417
Impairment loss on available-for-sale investments – unlisted							(465)
Impairment loss on interest in an associate – unlisted							(92)
Net gain on deemed disposal of interests in subsidiaries							125
Share of result of an associate							(85)
Loss before tax							(12,894)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit (loss) from each segment including items disclosed on the other information below without allocation of central administration costs, selling and distribution costs, directors' emoluments and other income and finance costs, impairment loss/loss on disposal of available for-sale investments, change in fair value of held-for-trading investments and derivative financial instruments, impairment loss/gain on disposal of other non-current assets and loss on dilution of interests in subsidiaries, net loss on deemed disposal of an associate, share of results of an associate and a jointly controlled entity and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. SEGMENTS INFORMATION (Continued)

Other segment information

The following other segment information is included in the measure of segment profit or loss:

2010

	Industrial	Entertainment	Technology	Aviation	Other operation	Unallocated amount	Consolidated
	Unaudited six months ended 30th June,						
	2010	2010	2010	2010	2010	2010	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	417	315	-	-	530	58	1,320
Impairment loss on goodwill	-	2,096	-	-	-	-	2,096
Increase in fair value of investment properties	-	-	-	-	(2,300)	(220)	(2,520)
Gain on disposal of property, plant and equipment with prepaid lease payment	-	-	-	-	(20,513)	(195)	(20,708)
Interest income	(41)	-	-	-	-	-	(41)
Net gain on deemed disposal of an associate	-	-	(4,225)	-	-	-	(4,225)
Share of results of associates	-	-	(638)	-	-	-	(638)
Share of results of jointly controlled entities	-	175	-	(650)	-	-	(475)

2009

	Industrial	Entertainment	Technology	Aviation	Other operation	Unallocated amount	Consolidated
	Unaudited six months ended 30th June,						
	2009	2009	2009	2009	2009	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	545	227	-	-	594	25	1,391
Goodwill	-	(104)	-	-	-	-	(104)
Impairment loss on interest in an associate	-	-	-	-	-	92	92
Decrease in fair value of investment properties	-	-	-	-	140	-	140
Interest income	(12)	-	-	-	-	-	(12)
Net gain on deemed disposal of an associate	-	-	(901)	-	-	-	(901)
Share of results of associates	-	-	5,567	-	-	85	5,652
Share of results of jointly controlled entities	-	-	-	(184)	-	-	(184)

3. SEGMENTS INFORMATION *(Continued)*

Segment assets and liabilities

As the chief operating decision maker reviews the Group's assets and liabilities for the Group as a whole on a consolidated basis, no assets or liabilities are allocated to the operating segments. Therefore, no analysis of segment assets and liabilities is presented.

Revenue from major products

The following is an analysis of the Group's revenue from its major products and services:

	Unaudited six months ended 30th June,	
	2010 HK\$'000	2009 HK\$'000
Garments	9,300	6,885
Provision of background music and music licensing services	6,314	2,728
Property rental income	–	384
	15,614	9,997
	15,614	9,997

Geographical information

The Group's revenue from external customers analysed by geographical location of customers and information about its non-current assets (excluding available-for-sale investments and financial instruments), by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	Unaudited six months ended 30th June,		30/6/2010	31/12/2009
	2010	2009	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,535	2,637	18,568	43,417
PRC	7,324	2,967	206,579	202,831
Japan	5,755	4,393	–	–
	15,614	9,997	225,147	246,248
	15,614	9,997	225,147	246,248

3. SEGMENTS INFORMATION *(Continued)*

Information about major customers

Revenues from two customers of the corresponding periods individually contributing over 10% of total revenue of the Group are as follows:

	Unaudited six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Customer A (from industrial segment)	2,535	2,252
Customer B (from industrial segment)	5,755	4,394
	<hr/>	<hr/>
	8,290	6,646
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER GAINS AND LOSSES

	Unaudited six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Increase in fair value of derivative financial instruments	–	154
Exchange loss, net	99	126
Impairment loss on available-for-sale investments – unlisted	–	465
Impairment loss on interest in an associate – unlisted	–	92
Impairment loss on goodwill	2,096	–
Gain on held-for-trading investments	(592)	(4,417)
(Increase) decrease in fair value of investment properties	(2,520)	140
Net gain on deemed of interests in subsidiaries	–	(125)
Gain on disposal of property, plant and equipment with prepaid lease payment	(20,708)	–
Net gain on deemed disposal of an associate	(4,225)	(901)
	<hr/>	<hr/>
	(25,850)	(4,466)
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5. PROFIT(LOSS) BEFORE TAX

	Unaudited six months ended 30th June,	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before tax has been arrived at after charging:		
Amortisation of prepaid lease payments	283	299
Auditor's remuneration		
– current year	676	625
– underprovision in prior year	102	827
Cost of inventories recognised as expense	8,086	5,795
Royalty payment for background music and music licensing services (included in cost of sales)	4,431	3,597
Depreciation	1,320	1,391
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK\$2,038,000 (2009: HK\$1,375,000)	9,175	6,714
Operating lease payment in respect of rented premise	707	548
Share of tax of associates (included in share of results of associates)	1,033	634
and after crediting:		
Rental income from investment properties, less outgoings of nil (2009: HK\$9,000)	–	376
	<u> </u>	<u> </u>

6. INCOME TAX EXPENSE (CREDIT)

	Unaudited six months ended 30th June,	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
The income tax expense (credit) comprises:		
PRC Enterprise Income Tax:		
Current period	131	44
	<u> </u>	<u> </u>
	131	44
Deferred taxation	–	(232)
	<u> </u>	<u> </u>
	131	(188)
	<u> </u>	<u> </u>

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit for the both periods.

6. INCOME TAX EXPENSE (CREDIT) (Continued)

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s subsidiaries in the PRC is 25% (six months ended 30th June, 2009: 25%).

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2010 (six months ended 30th June, 2009: Nil).

8. EARNINGS (LOSS) PER SHARE

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

	Unaudited six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Earnings (loss):		
Profit (loss) for the period attributable to the owners of the Company for the purpose of basic earnings (loss) per share	18,725	(10,478)
Effect of dilutive potential shares of associate based on dilution of earnings per share	(4,773)	—
Earnings (loss) for the purpose of diluted earnings (loss) per share	<u>13,952</u>	<u>(10,478)</u>
	2010	2009
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	302,837,886	302,837,886
Effect of dilutive potential ordinary shares of share options	566,567	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>303,404,453</u>	<u>302,837,886</u>

No diluted loss per share has been presented for the period ended 30th June, 2009 as the effect arising from share options would result in a decrease in loss per share.

No adjustment has been made for the potential ordinary shares of associate as the effect in 2009 is anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants are payable on receipt of invoices. The following is an aged analysis of trade receivables:

	THE GROUP	
	30/6/2010	31/12/2009
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Current:		
0 – 30 days	2,372	77
Past due:		
31- 60 days	1,760	714
61 – 90 days	551	401
Over 90 days	229	77
Total trade receivables	4,912	1,269
Other receivables	2,170	2,627
	7,082	3,896

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$2,540,000 (31st December, 2009: HK\$1,192,000) which are past due at the reporting date for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group does not hold any collateral over these balances. Trade receivables which are neither overdue nor impaired are in good quality with reference to past payment history. The average age of these receivable is 105 days (31st December, 2009: 86 days).

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payables presented based on the invoice date at the end of the reporting period.

	THE GROUP	
	30/6/2010	31/12/2009
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	–	2,055
31 – 60 days	7	–
61 – 90 days	–	8
Over 90 days	1,907	51
Total trade payables	1,914	2,114
Other payables	8,563	13,190
	10,477	15,304

11. BANK AND OTHER LOANS

	THE GROUP	
	30/6/2010	31/12/2009
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Secured		
Bank loans	2,064	18,840
Other loans	–	5,856
	<u>2,064</u>	<u>24,696</u>
	<u>2,064</u>	<u>24,696</u>
Carrying amount repayable:		
Within one year	2,064	8,724
More than one year, but not exceeding two years	–	840
More than two years, but not exceeding five years	–	2,631
More than five years	–	12,501
	<u>2,064</u>	<u>24,696</u>
	<u>2,064</u>	<u>24,696</u>
Less: amounts due within one year shown under current liabilities	(2,064)	(8,724)
	<u>–</u>	<u>15,972</u>
	<u>–</u>	<u>15,972</u>

At 31st December, 2009, bank loans which is denominated in Hong Kong dollars, bear variable interest rate at 3.1% below Hong Kong Prime Lending Rate per annum. The bank loans are secured by a leasehold land and building in Hong Kong. The effective interest rate of the bank loan is 2.15% for the year ended 31st December, 2009. The bank loan is fully settled in June 2010.

At 30th June, 2010, bank loan which is denominated in Renminbi, bear effective interest rate of the bank loan is 5.841% for the period ended 30th June, 2010. The bank loan is secured by the Group's bank deposit.

At 31st December, 2009, the other loans which is denominated in Yen, currencies other than the functional currencies of the relevant group entities, bear floating interest rates at 0.79% per annum. The other loans is fully settled in February 2010.

12. PLEDGE OF ASSETS

At 30th June, 2010:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$6.1 million (31st December, 2009: HK\$13.4 million), of which nil (31st December, 2009: HK\$5.9 million) had been utilised after considering deposits held by financial institutions, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK\$10.8 million (31st December, 2009: HK\$25.3 million) and HK\$5.5 million (31st December, 2009: HK\$20.2 million), respectively. The listed investments comprise held-for-trading securities and equity shares in an associate held by the Group;
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$17.1 million (31st December, 2009: HK\$17.1 million), of which nil had been utilised in both period/year, are secured by a floating charge over certain investment properties and property, plant and equipment and other non-current assets of the Group;
- (c) short term loan and margin facilities in respect of securities transactions to the extent of approximately HK\$233.5 million (31st December, 2009: HK\$232.7 million), of which nil had been utilised in both period/year after considering deposits held by financial institutions, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK\$103.2 million (31st December, 2009: HK\$97.5 million) and HK\$18.7 million (31st December, 2009: HK\$17.9 million), respectively. The listed investments comprised held-for-trading securities and equity shares in an associate held by the Group;
- (d) bank loan facilities to the extent of approximately nil (31st December, 2009: HK\$18.9 million), of which nil (31st December, 2009: HK\$16.8 million) were drawdown and fully utilised, is secured by the Group's leasehold land and building in Hong Kong with an aggregate carrying value of approximately nil (31st December, 2009: HK\$26.3 million); and
- (e) letter of credit facilities to the extent of approximately HK\$5.0 million (31st December, 2009: HK\$5.0 million), of which HK\$2.1 million (31st December, 2009: HK\$2.0 million) has been utilised, is secured by the Group's bank deposit amounted to approximately HK\$2.5 million (31st December, 2009: HK\$2.5 million).

13. CONTINGENT LIABILITIES

As at 30th June, 2010, the Company is not contingently liable for guarantee issued to a bank in respect of a mortgage loan granted to a subsidiary.

As at 31st December, 2009, the Company is contingently liable for guarantee issued to a bank in respect of a mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK\$18,900,000. The maximum amount the Company could be required to settle under the arrangement is HK\$20,082,000. The mortgage loan is fully settled in June 2010.

In the opinion of the directors, the fair value of the financial guarantee contract is insignificant. Accordingly, no value has been recognised in the consolidated financial statements.

14. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the period was nil (six months ended 30th June, 2009: HK\$384,000). The Group property held for rental purpose has been disposed by 31st December, 2009.

At the end of the reporting period, the Group had not contracted with tenants for the future minimum lease payments.

The Group and the Company as lessee

At the end of the reporting period, the Group and the Company had commitments for the future minimum lease payments under a non-cancellable operating lease which fall due as follows:

(i) *Leased premises*

	30/6/2010 (unaudited) <i>HK\$'000</i>	31/12/2009 (audited) <i>HK\$'000</i>
Within one year	1,169	576
In the second to fifth year inclusive	3,068	230
	4,237	806

During the year 2009, operating lease payments represent rentals payable by the Group to a company controlled by certain directors of the Company for the use of its office premises. Leases are negotiation for a term of two years.

(ii) *Royalty payment for background music and music licensing services*

	30/6/2010 (unaudited) <i>HK\$'000</i>	31/12/2009 (audited) <i>HK\$'000</i>
Within one year	2,530	2,530
In the second to fifth year inclusive	11,273	12,538
	13,803	15,068

Royalty payment was negotiated for a term of fifteen years and could be terminated after five years from the date of commencement of the licensing services.

15. EVENT AFTER THE REPORTING PERIOD

On 2nd July, 2010, HomeBase Media Group Limited, a wholly-owned subsidiary of the Company, acquired 3,829,224 shares of GMIL (representing 9.64% issued share capital of GMIL) from MWIL at a consideration of HK\$3.6 million.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT CORPORATE RESULTS

For the six months period ended 30th June, 2010 (the "Period"), the Company and its subsidiaries (the "Group") recorded a revenue of approximately HK\$15.61 million (2009: HK\$10 million), representing a rise of 56.1% over corresponding period in 2009 reflecting the significant improvements in manufacturing and sales of garment products and provision background music service business.

Profit attributable to owners of the Company for the Period amounted to approximately HK\$18.73 million (2009: Loss of HK\$10.48 million). The turnaround during the Period was chiefly due to the gain in the completion of the deal on disposal of property.

The basic earnings per share for the Period was 6.2 HK cents (2009: basic loss per share of 3.5 HK cents), an increase of 2.77 times for the same period in 2009.

BUSINESS REVIEW AND PROSPECTS

Business Review

During the Period, the Group continued to engage in information technology, entertainment, aviation maintenance and garment manufacturing industry in the Republic of China ("PRC").

Information Technology Holdings

Chinasoft International Limited ("Chinasoft")

For the Period, a profit attributable to owners of Chinasoft was posted at RMB4.13 million (2009: Loss of RMB31.86 million), representing a turnaround over the same period in 2009 mainly due to the significant growth in information technology ("IT") outsourcing business.

Chinasoft will explore opportunities for merger and acquisition for its markets and products at home and abroad to integrate upstream and downstream resources and optimize its value chain. By reinforcing its joint venture and forming alliances with strategic partners, Chinasoft will expand its core business and maintain its leading position in the IT services industry.

Entertainment Holdings

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

For the Period, the turnover of GMR reported was approximately HK\$6.31 million, representing a rise of approximately 1.31 times from the same period in 2009 (2009: approximately HK\$2.73 million). The net loss before taxation amounted to approximately HK\$3.69 million, representing an improvement of approximately 45% from the same period in 2009 (2009: net loss HK\$6.65 million).

With its stable market position in the industry and the tremendous opportunities brought by China's steady economic growth, GMR is committed to consolidate its core businesses and continue to strengthen its leading position in the background music service provider business in China. GMR is confident that the scale of background music service provider business will be further expanded in 2010.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Aviation Maintenance Holdings

Beijing Kailan Aviation Technology Co., Ltd. (“BKAT”)

For the Period, BKAT recorded a profit attributable to owners of BKAT was approximately RMB2.84 million (2009: RMB0.81 million) representing a rise of 2.5 times over that of last Period.

Demand for aviation maintenance services in PRC is anticipated to remain firm so long as the current aviation market recovery will persist in the second half year of 2010.

Garment Manufacturing Industry

Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited (“JBB”)

For the Period, JBB recorded revenue of approximately HK\$9.3 million (2009: HK\$6.89 million) representing 35% increase comparing with 2009 and a net profit before taxation of HK\$0.52 million (2009: HK\$0.18 million) comparing with 2009 corresponding period, it represented 1.89 times improvement in response to recovery of garment manufacturing market conditions.

Looking ahead, JBB will continue to boost its business growth by enhancing internal management and cost control, optimizing machines utilization and rearranging product mix in accordance with the customers demand and explore new markets continuously to seize new development opportunities.

Business Prospects

The economic outlook of the PRC is expected to outperform the United States and European markets in the second half of 2010, even though there are uncertainties in the pace of the global economy recovery. Hong Kong will persist to take advantage from PRC’s vibrant economy and the PRC Government’s economic policies and stimulus package which will contribute to the growth in economic activities in Hong Kong. As such, the Group will strive to seek new investment opportunities with attractive returns to shareholders.

FINANCIAL REVIEW

Liquidity, Capital Structure and Financial Resources

As at 30th June, 2010, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$52.81 million (2009: HK\$28 million). Basically, the Group’s funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 30th June, 2010, the Group had total borrowings of HK\$2.10 million (2009: HK\$24.70 million) of which HK\$2.10 million (2009: HK\$8.72 million) was payable within one year and none was payable after one year (2009: HK\$15.97 million) and was fully secured. The Group’s borrowings were denominated in Renminbi.

FINANCIAL REVIEW *(Continued)*

Gearing Ratio and Current Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2010 dropped to 0.7% (2009: 8.93%). The Group's current ratio (current assets to current liabilities) as at 30th June, 2010 raised to 4.37 (2009: 2.26). On the whole, the financial position and liquidity of the Group had sharply been improved.

Capital Structure

During the Period, there was no change to the share capital of the Company. As at 30th June, 2010, the total number of issued ordinary shares of the Company was 302,837,886 shares.

Disposal of Property and Pledge of Assets

During the Period, the Group had disposed a property situated at Flat C on 22nd Floor and car park space No. 26 on Level 5 of Tower 3 Tregunter, No. 14 Tregunter Path, Hong Kong, with a gross floor area of 3,001sq ft.. The disposal was completed on 31st May, 2010 and the aggregate consideration amounted to HK\$48 million.

As at 30th June, 2010, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK\$128.14 million (2009: HK\$163 million) to banks and financial institutions for margin trading facilities, and other loan facilities to the Group to the extent of approximately HK\$261.7 million (2009: HK\$287.1 million).

Exposure on Foreign Exchange Fluctuations

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 30th June, 2010, the Group did not have any material contingent liabilities (2009: HK\$18.9 million).

Capital Commitments

At 30th June, 2010, the Group had an outstanding commitment amount to HK\$3.6 million being consideration for purchase 3,829,224 shares of Golden Music International Limited ("GMIL") from Maxi Wealth Investments Limited ("MWIL") (2009: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions and disposals of the subsidiaries and associated companies during the six months ended 30th June, 2010.

EVENT AFTER THE REPORTING PERIOD

On 2nd July, 2010, HomeBase Media Group Limited, a wholly-owned subsidiary of the Company, acquired 3,829,224 shares of GMIL (representing 9.64% issued share capital of GMIL) from MWIL at a consideration of HK\$3.6 million.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2010 (2009: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2010, the Group had approximately 340 employees in Hong Kong and PRC (2009: 350 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group was adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 2,300,000 (2009: 2,300,000) share options outstanding under the share option scheme as at 30th June, 2010.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30th June, 2010, 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 Corporation 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. Eugene Yun Hang Wang and Mr. Andrew Chun Wah Fan 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, 2010.

REMUNERATION COMMITTEE

The Company had established a remuneration committee with written terms of reference pursuant to the provisions set out in the Code. The remuneration committee comprised two independent non-executive directors, namely Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and one managing director, namely 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.

INVESTMENT COMMITTEE

The Investment Committee has four members, namely, Mr. Duncan Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Dr. Lee G. Lam is the Chairman of the Investment Committee.

The functions of the Investment Committee include advising the Board of Directors in determining investment policies, objectives and strategies and executing investment policies and strategies approved by the Board of Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

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. Having made specific inquiries of all directors of the Company, confirmations have been received of compliance with the required standard set out in the Model Code during the accounting period covered by this interim results.

On behalf of the Board

DUNCAN CHIU

Managing Director and Chief Executive Officer

Hong Kong, 20th August, 2010

As at the date of this announcement, the Board of Company comprises nine directors, of which three are executive Directors, namely Deacon Te Ken Chiu J.P., Mr. Duncan Chiu and Mr. Dennis Chiu, three are non-executive Directors are Tan Sri Dato' David Chiu, Mr. Derek Chiu, Mr. Desmond Chiu; three are independent non-executive Directors, namely Dr. Lee G. Lam and Mr. Eugene Yun Hang Wang and Mr. Andrew Chun Wah Fan.