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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, 2011**

INTERIM RESULTS

The Board of Directors (the “Board”) of Far East Holdings International Limited (the “Company”) announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2011 together with comparative amounts.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th June, 2011

| | | Six months ended | |
|---|--------------|---|---|
| | <i>Notes</i> | 30.6.2011 HK\$'000 (unaudited) | 30.6.2010 <i>HK\$'000</i> (unaudited and restated) |
| Continuing operations | | | |
| Revenue | 3 | 11,145 | 9,300 |
| Cost of sales | | (9,784) | (8,086) |
| Gross profit | | 1,361 | 1,214 |
| Dividend income from available-for-sale investments | | 47 | 49 |
| Dividend income from held-for-trading investments | | 35 | 129 |
| Other income | | 406 | 76 |
| Other gains and losses | 4 | 1,909 | 27,946 |
| Selling and distribution costs | | (37) | (48) |
| Administrative expenses | | (8,770) | (5,776) |
| Finance costs | | (36) | (191) |
| Share of results of associates | | – | 638 |
| Share of results of jointly controlled entities | | 227 | 475 |
| (Loss) profit before tax | 5 | (4,858) | 24,512 |
| Income tax expense | 6 | (131) | (131) |
| (Loss) profit for the period from continuing operations | | (4,989) | 24,381 |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | 7 | (5,864) | (6,724) |
| (Loss) profit for the period | | (10,853) | 17,657 |
| Other comprehensive income (expense) | | | |
| Exchange differences arising from the translation of foreign operations | | 1,374 | 271 |
| Fair value gain (loss) on available-for-sale investments | | 48,205 | (1,730) |
| Reclassification adjustment upon disposal of available-for-sale investments | | 2,250 | – |
| Share of exchange difference of an associate | | – | 839 |
| Other comprehensive income (expense) for the period | | 51,829 | (620) |
| Total comprehensive income for the period | | 40,976 | 17,037 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30th June, 2011

| | | Six months ended | |
|--|-------------|-------------------------|-----------------------------|
| | <i>Note</i> | 30.6.2011 | 30.6.2010 |
| | | HK\$'000 | HK\$'000 |
| | | (unaudited) | (unaudited and restated) |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | (10,102) | 18,725 |
| Non-controlling interests | | (751) | (1,068) |
| | | <u>(10,853)</u> | <u>(1,068)</u> |
| | | <u>(10,853)</u> | <u>17,657</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 41,404 | 17,978 |
| Non-controlling interests | | (428) | (941) |
| | | <u>40,976</u> | <u>(941)</u> |
| | | <u>40,976</u> | <u>17,037</u> |
| | | <i>HK cents</i> | <i>HK cents</i> |
| (Loss) earning per share | | | |
| | 9 | | |
| From continuing and discontinued operations | | | |
| – basic | | <u>(3.34)</u> | <u>6.18</u> |
| – diluted | | <u>(3.34)</u> | <u>4.60</u> |
| From continuing operations | | | |
| – basic | | <u>(1.67)</u> | <u>7.99</u> |
| – diluted | | <u>(1.67)</u> | <u>6.40</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2011

| | <i>Notes</i> | 30.6.2011 HK\$'000 (unaudited) | 31.12.2010 <i>HK\$'000</i> (audited) |
|--|--------------|---|--|
| NON-CURRENT ASSETS | | | |
| Investment properties | | 21,760 | 18,755 |
| Property, plant and equipment | | 9,402 | 18,315 |
| Prepaid lease payments | | 974 | 1,003 |
| Interests in jointly controlled entities | | 40,988 | 39,918 |
| Available-for-sale investments | | 300,349 | 298,644 |
| Other non-current assets | | – | 5,506 |
| | | 373,473 | 382,141 |
| CURRENT ASSETS | | | |
| Prepaid lease payments | | 33 | 33 |
| Held-for-trading investments | | 25,645 | 11,067 |
| Inventories | | 4,464 | 4,712 |
| Trade and other receivables | 10 | 2,799 | 5,033 |
| Amount due from a non-controlling interest | | 3,426 | 4,146 |
| Amount due from a related company | | 9 | 9 |
| Deposits held at financial institutions | | 36,611 | 4,951 |
| Pledged bank deposits | | 40 | 2,541 |
| Bank balances and cash | | 25,767 | 29,558 |
| | | 98,794 | 62,050 |
| Assets classified as held for sale | 7 | 15,369 | – |
| | | 114,163 | 62,050 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 3,157 | 16,870 |
| Amounts due to directors | | 1,599 | 1,617 |
| Amounts due to non-controlling interests | | 297 | 1,242 |
| Amount due to a related company | | 1,136 | 1,136 |
| Tax liabilities | | 132 | 39 |
| Other loans | | – | 2,952 |
| Dividend payable to a non-controlling interest | | 644 | 380 |
| Obligations under finance leases – due within one year | | 302 | 479 |
| | | 7,267 | 24,715 |
| Liabilities associated with assets classified as held for sale | 7 | 20,534 | – |
| | | 27,801 | 24,715 |
| NET CURRENT ASSETS | | 86,362 | 37,335 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 459,835 | 419,476 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2011

| | 30.6.2011 <i>HK\$'000</i> (unaudited) | 31.12.2010 <i>HK\$'000</i> (audited) |
|--|--|--|
| CAPITAL AND RESERVES | | |
| Share capital | 3,028 | 3,028 |
| Share premium and reserves | 440,904 | 399,500 |
| | <hr/> | <hr/> |
| Equity attributable to owners of the Company | 443,932 | 402,528 |
| Non-controlling interests | 15,089 | 15,997 |
| | <hr/> | <hr/> |
| | 459,021 | 418,525 |
| | <hr/> | <hr/> |
| NON-CURRENT LIABILITIES | | |
| Obligations under finance leases – due after one year | 814 | 951 |
| | <hr/> | <hr/> |
| | 459,835 | 419,476 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

1. BASIS OF PREPARATION

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

During the period, the Group’s entertainment segment has been classified as discontinued operations as a result of the expected Disposal and Subscription Transaction as set out in note 7. Accordingly, the comparatives in the condensed consolidated income statement and certain explanatory notes have been restated.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2010. In addition, the Group applied the following accounting policy in this interim period:

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

In addition, in the current interim period, the Group has applied, for the first time, a number of new or revised Standards and Interpretations (“new or revised HKFRSs”) issued by the HKICPA. The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new and revised standards and amendments that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised standards and amendments upon initial application but is not yet in a position to state whether they would have material impact on the condensed consolidated financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

3. SEGMENT INFORMATION

Information reported to the Managing Directors and Chief Executive Officer of the Group, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance. The Group’s continuing operations are organised into the following segments which focus on the category of different industries.

| | |
|-----------------|--|
| Industrial | – manufacturing and sale of garments |
| Aviation | – provision of aviation maintenance services provided by a jointly controlled entity |
| Other operation | – property investment |

During the period, the Group’s entertainment segment has been reclassified as discontinued operations as a result of the expected Disposal and Subscription Transaction as set out in note 7. Accordingly, the comparative information has been represented to conform with the current period’s presentation.

In addition, as a result of the loss of significant influence of the listed associate at 31st December, 2010, the CODM did not consider Technology segment as operating segment for the purpose of resource allocation and assessment of segment performance.

Segment revenues and results

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

Six months ended 30th June, 2011

Continuing operations

| | Industrial <i>HK\$’000</i> | Aviation <i>HK\$’000</i> | Other operation <i>HK\$’000</i> | Elimination <i>HK\$’000</i> | Consolidated <i>HK\$’000</i> |
|---|-------------------------------|-----------------------------|---------------------------------------|--------------------------------|---------------------------------|
| Segment and external revenue | 11,145 | – | – | – | 11,145 |
| Segment result | 84 | 227 | 2,005 | – | 2,316 |
| Other income | | | | | 406 |
| Finance costs | | | | | (36) |
| Unallocated expenses | | | | | (6,448) |
| Gain on disposal of other non-current assets | | | | | 1,494 |
| Decrease in fair value of held-for-trading investments | | | | | (234) |
| Loss on disposal of available-for-sale investments | | | | | (2,356) |
| Loss before tax (continuing operations) | | | | | (4,858) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

3. SEGMENT INFORMATION (Continued)

Six months ended 30th June, 2010

Continuing operations

| | Industrial <i>HK\$'000</i> | Technology <i>HK\$'000</i> | Aviation <i>HK\$'000</i> | Other operation <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> (restated) |
|---|-------------------------------|-------------------------------|-----------------------------|---------------------------------------|--------------------------------|---|
| Segment revenue | | | | | | |
| External revenue | 9,300 | - | - | - | - | 9,300 |
| Inter-segment revenue | - | - | - | 600 | (600) | - |
| Total | <u>9,300</u> | <u>-</u> | <u>-</u> | <u>600</u> | <u>(600)</u> | <u>9,300</u> |
| Segment result | <u>546</u> | <u>4,863</u> | <u>650</u> | <u>807</u> | <u>-</u> | 6,866 |
| Other income | | | | | | 76 |
| Finance costs | | | | | | (191) |
| Unallocated expenses | | | | | | (3,539) |
| Gain on disposal of property, plant and equipment | | | | | | 20,708 |
| Increase in fair value of held-for-trading investments | | | | | | 592 |
| Profit before tax (continuing operations) | | | | | | <u>24,512</u> |

Segment result represents the profit from each segment without allocation of other income, corporate expenses, finance costs, loss on disposal of available-for-sale investments, changes in fair value of held-for-trading investments, gain on disposal of other non-current assets and gain on disposal of property, plant and equipment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

4. OTHER GAINS AND LOSSES

| | Six months ended | |
|---|------------------|-----------------|
| | 30.6.2011 | 30.6.2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Continuing operations | | |
| (Decrease) increase in fair value on held-for-trading investments | (234) | 592 |
| Increase in fair value of investment properties | 3,005 | 2,520 |
| Gain on disposal of property, plant and equipment | – | 20,708 |
| Gain on disposal of other non-current assets | 1,494 | – |
| Loss on disposal of available-for-sale investments | (2,356) | – |
| Net gain on deemed disposal of an associate | – | 4,225 |
| Exchange loss, net | – | (99) |
| | <u>1,909</u> | <u>27,946</u> |

5. (LOSS) PROFIT BEFORE TAX

| | Six months ended | |
|--|------------------|-----------------|
| | 30.6.2011 | 30.6.2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Continuing operations | | |
| (Loss) profit before tax has been arrived at after charging: | | |
| Amortisation of prepaid lease payments | 50 | 283 |
| Depreciation (<i>Note</i>) | 950 | 1,005 |
| | <u>1,000</u> | <u>1,288</u> |

Note: Depreciation amounting to HK\$957,000 (six months ended 30th June, 2010: HK\$315,000) has been included in administrative expenses classified under discontinued operations.

6. INCOME TAX EXPENSE

| | Six months ended | |
|--|------------------|-----------------|
| | 30.6.2011 | 30.6.2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Continuing operations | | |
| The People's Republic of China (the "PRC") | | |
| Enterprise Income Tax | 131 | 131 |
| | <u>131</u> | <u>131</u> |

Taxation arising in the PRC is recognised based on 25% for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 20th May, 2011, the Group entered into the sale and purchase and subscription agreement (the “Agreement”) in relation to the disposal of its entire equity interest in certain subsidiaries, which are engaged in the entertainment operations, at an aggregate consideration of HK\$8,000,000 which is to be satisfied by 104 new ordinary shares of the purchaser, Market Talent Limited (“Market Talent”) to be allotted and issued to the Group. In addition, the Group agreed to subscribe for 117 new ordinary shares of Market Talent at a cash consideration of HK\$9,000,000 (collectively described as “Disposal and Subscription Transaction”). Both Market Talent and its legal and beneficial owner are unrelated to the Group. Market Talent and its subsidiary are engaged in providing audio visual equipment and audio visual information technology solutions. Immediately after the Disposal and Subscription Transaction, the Group will hold 18.1% equity interest in Market Talent which will be classified as available-for-sale investments. Details of the Disposal and Subscription Transaction have been set out in the circular dated 30th June, 2011. As certain conditions stated in the Agreement for the Disposal and Subscription Transaction have not yet been completed, control has not yet been passed to Market Talent at the end of the reporting period. The transaction is expected to be completed within 2011. In the opinion of the directors, the transaction has given rise to the entertainment operation being classified as discontinued operations for the Group.

The loss from the discontinued operations for the current and prior periods is analysed as follows:

| | Six months ended | |
|---|------------------|----------------|
| | 30.6.2011 | 30.6.2010 |
| | HK\$'000 | HK\$'000 |
| Loss of entertainment operations for the period | <u>(5,864)</u> | <u>(6,724)</u> |
| Attributable to: | | |
| Owners of the Company | (5,035) | (5,466) |
| Non-controlling interests | <u>(829)</u> | <u>(1,258)</u> |
| | <u>(5,864)</u> | <u>(6,724)</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

The results of the entertainment operations for the current and prior periods were as follows:

| | Six months ended | |
|--------------------------------|------------------|-----------------|
| | 30.6.2011 | 30.6.2010 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 5,184 | 6,314 |
| Cost of sales | (2,945) | (4,431) |
| Other income | 74 | 12 |
| Other gains and losses | – | (2,096) |
| Selling and distribution costs | (4,584) | (4,460) |
| Administrative expenses | (3,591) | (2,001) |
| Finance costs | (2) | (62) |
| | <hr/> | <hr/> |
| Loss before tax | (5,864) | (6,724) |
| Income tax expense | – | – |
| | <hr/> | <hr/> |
| Loss for the period | <u>(5,864)</u> | <u>(6,724)</u> |

The assets and liabilities attributable to the Disposal Group which are presented below, are classified and are presented as assets held for sale and liabilities associated with assets held for sale and are separately presented in the condensed consolidated statement of financial position.

Assets and liabilities of the Disposal Group as at 30th June, 2011 are as follows:

| | 30.6.2011 |
|--|-----------------|
| | <i>HK\$'000</i> |
| Property, plant and equipment | 7,895 |
| Trade and other receivables | 3,856 |
| Pledged bank deposits | 2,501 |
| Bank balances and cash | 1,117 |
| | <hr/> |
| Total assets classified as held for sale | <u>15,369</u> |
| Trade payables and other payables | 16,559 |
| Amounts due to non-controlling interests | 963 |
| Other loans | 3,012 |
| | <hr/> |
| Total liabilities associated with assets held for sale | <u>20,534</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

8. DIVIDEND

No dividends were paid, declared or proposed during both periods. The directors do not recommend the payment of an interim dividend.

9. (LOSS) EARNING PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss) earning per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

| | Six months ended | |
|--|-----------------------------|-----------------------------|
| | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 |
| (Loss) earning for the purpose of basic (loss) earning per share | (10,102) | 18,725 |
| Effect of dilutive potential share of associate based on dilution of earnings per share | — | (4,773) |
| | <u> </u> | <u> </u> |
| (Loss) earning for the purpose of diluted (loss) earning per share | <u><u>(10,102)</u></u> | <u><u>13,952</u></u> |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earning per share | 302,837,886 | 302,837,886 |
| Effect of dilutive potential ordinary shares of share options | — | 566,567 |
| | <u> </u> | <u> </u> |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earning per share | <u><u>302,837,886</u></u> | <u><u>303,404,453</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

9. (LOSS) EARNING PER SHARE (Continued)

From continuing operations

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

| | Six months ended | |
|---|-----------------------|-----------------------|
| | 30.6.2011 HK\$'000 | 30.6.2010 HK\$'000 |
| (Loss) profit for the period attributable to the owners of the Company | (10,102) | 18,725 |
| Less: loss for the period from discontinued operations attributable to the owners of the Company | (5,035) | (5,466) |
| (Loss) earning for the purpose of calculating basic (loss) earning per share from continuing operations | (5,067) | 24,191 |
| Effect of dilutive potential share of associate based on dilution of earning per share | – | (4,773) |
| (Loss) earning for the purpose of calculating diluted (loss) earning per share from continuing operations | <u>(5,067)</u> | <u>19,418</u> |

The denominators used are the same as those detailed above for both basic and diluted (loss) earning per share for continuing and discontinued operations.

From discontinued operations

Basic and diluted loss per share from discontinued operations is 1.66 HK cents per share (2010: 1.80 HK cents per share), based on the loss for the period from discontinued operations of HK\$5,035,000 (2010: HK\$5,466,000) and the denominators detailed above for both basic and diluted earning per share for continuing and discontinued operations.

The diluted loss per share for the six months ended 30th June, 2011 has not assumed the effect on share option as it would result in decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

10. 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, net of allowance for doubtful debts, at the end of the reporting period:

| | 30.6.2011 | 31.12.2010 |
|--------------|------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current | – | 975 |
| Past due: | | |
| 0 – 30 days | 678 | 582 |
| 31 – 60 days | 487 | 566 |
| 61 – 90 days | 87 | 619 |
| Over 90 days | 42 | 690 |
| | <u>1,294</u> | <u>3,432</u> |

11. TRADE AND OTHER PAYABLES

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

| | 30.6.2011 | 31.12.2010 |
|--------------|------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 30 days | 589 | 5,211 |
| 31 – 60 days | – | 14 |
| 61 – 90 days | 55 | 11 |
| Over 90 days | – | 40 |
| | <u>644</u> | <u>5,276</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

12. PLEDGE OF ASSETS

At 30th June, 2011:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$6.3 million (31st December, 2010: HK\$6.5 million), of which nil has been utilised at the end of the reporting periods, are secured by the listed investments and deposit held at financial institutions of the Group of approximately HK\$26.8 million (31st December, 2010: HK\$23.8 million). The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group;
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$17.1 million (31st December, 2010: HK\$17.1 million), of which nil has been utilised at the end of the reporting periods, are secured by the deposit held at financial institutions of the Company of approximately HK\$40,000 (31st December, 2010: HK\$39,000); and
- (c) short term loan and margin facilities in respect of securities transactions to the extent of approximately HK\$233.5 million (31st December, 2010: HK\$233.5 million) of which nil has been utilised at the end of the reporting periods, are secured by the listed investments and deposit held at financial institutions of the Group of approximately HK\$281.5 million (31st December, 2010: HK\$239.5 million). The listed investments comprise held-for-trading securities and available-for-sale investment held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

For the six months period ended 30th June, 2011 (the “**Period**”), the Company and its subsidiaries (the “**Group**”) recorded a revenue of approximately HK\$11.15 million (2010: HK\$9.30 million), representing an increase of 20% over corresponding period in 2010 reflecting the improvements in manufacturing and sale of garments segment.

Loss attributable to owners of the Company for the Period amounted to approximately HK\$10.10 million (2010: Profit HK\$18.73 million). The loss was mainly due to considerable reduction in other revenues.

The basic loss per share for the Period was 3.34 HK cents (2010: basic earnings per share of 6.18 HK cents), a decrease of 1.5 times for the same period in 2010.

BUSINESS REVIEW AND PROSPECTS

Business Review

During the Period, the Group was engaging in aviation maintenance and manufacturing and sales of garment products in the People’s Republic of China (“**the PRC**”).

Aviation Maintenance Holdings

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

For the Period, profit attributable to shareholders of BKAT was approximately RMB0.95 million (2010: RMB2.84 million) representing a drop of 67% over that of last period due to sharply decrease in other revenues.

The outlook for the second half of 2011 is expected to remain steady in the aviation industry in the PRC. Therefore, BKAT believed that the demand for the aviation maintenance services can also grow gradually.

Garment Manufacturing Industry

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

For the Period, JBB recorded revenue of approximately HK\$11.15 million (2010: HK\$9.30 million) representing 20% increase comparing with 2010 and a net profit before taxation of HK\$0.52 million (2010: HK\$0.519 million). The results comparing with 2010 corresponding period improved slightly. The net profit growth was not in line with the sales growth of JBB during the period due to a significant increase in cost of raw material, transportation and labour costs and resulted in a fairly low profit margin for exported products.

Looking forward, the operating environment of the garment industry of JBB was challenging due to record high price of cotton, continued appreciation of Renminbi against US dollars and overall price surge resulting from inflation. However, JBB will continue to enhance its competitiveness by providing customers with more products mix of better quality and design.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

The Group will devote every effort seeking to capitalize on its financial strength by taking advantage of attractive project acquisitions offered by the current environment and potential merger and acquisition opportunities in the PRC in order to establish a solid foundation for future expansion.

FINANCIAL REVIEW

Liquidity, Capital Structure and Financial Resources

As at 30th June, 2011, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$62.42 million (2010: HK\$37.05 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, 2011, the Group had borrowings of HK\$3.01 million (2010: HK\$2.95 million).

Gearing Ratio and Current Ratio

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 30th June, 2011 dropped to 0.68% (2010: 0.73%). The Group's current ratio (current assets to current liabilities) as at 30th June, 2011 raised to 4.11 (2010: 2.51). On the whole, the financial position and liquidity of the Group had greatly been improved.

Capital Structure

During the Period, there was no change to the share capital of the Company. As at 30th June, 2011, the total number of issued ordinary shares of the Company was 302,837,886 shares.

Pledge of Assets

As at 30th June, 2011, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK\$308 million (2010: HK\$263 million) to banks and financial institutions for margin trading facilities, and other loan facilities to the Group to the extent of approximately HK\$257 million (2010: HK\$258 million).

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, 2011, the Group did not have any material contingent liabilities (2010: Nil).

CONTINGENT LIABILITIES AND COMMITMENTS *(Continued)*

Commitments

As at 30th June, 2011, the Group had commitments of HK\$9 million which mainly represented commitments made to the transaction in subscription of shares in Market Talent Limited (2010: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 20th May, 2011, the Group entered into the sale and purchase and subscription agreement (the “Agreement”) in relation to the disposal of its entire equity interest in certain subsidiaries, which are engaged in the entertainment operations, at an aggregate consideration of HK\$8,000,000 which is to be satisfied by 104 new ordinary shares of the purchaser, Market Talent Limited (“Market Talent”) to be allotted and issued to the Group. In addition, the Group agreed to subscribe for 117 new ordinary shares of Market Talent at a cash consideration of HK\$9,000,000 (collectively described as “Disposal and Subscription Transaction”). Both Market Talent and its legal and beneficial owner are unrelated to the Group. Market Talent and its subsidiary are engaged in providing audio visual equipment and audio visual information technology solutions. Immediately after the Disposal and Subscription Transaction, the Group will hold 18.1% equity interest in Market Talent which will be classified as available-for-sale investments. Details of the Disposal and Subscription Transaction have been set out in the circular dated 30th June, 2011. As certain conditions stated in the Agreement for the Disposal and Subscription Transaction have not yet been completed, control has not yet been passed to Market Talent at the end of the reporting period. The transaction is expected to be completed within 2011. In the opinion of the directors, the transaction has given rise to the entertainment operation being classified as discontinued operations for the Group.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2011 (2010: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2011, the Group had approximately 285 employees in Hong Kong and PRC (2010: 340 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 (2010: 2,300,000) share options outstanding under the share option scheme as at 30th June, 2011.

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 Period, 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, 2011.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial results for the six-month period ended 30th June, 2011 has been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 five members, namely, Mr. Duncan Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Mr. Eugene Yun Hang Wang 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 considering investment strategy and reviewing investment proposals.

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.

GENERAL

Trading in the Shares has been suspended since 12:05 p.m. on 3rd September, 2010 and will remain suspended until further notice. The Company will update the Share holders when and as appropriate by publishing further announcement(s).

On behalf of the Board

DEREK CHIU

Director

Hong Kong, 29th August, 2011

As at the date of this announcement, the Board of Company comprises eight Directors, of which three are executive Directors, namely Deacon Te Ken Chiu J.P., Mr. Duncan Chiu and Mr. Dennis Chiu, two are non-executive Directors are 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.