



# 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, 2009

### 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, 2009 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, 2009*

		Unaudited six months ended 30th June,	
		2009	2008
	Notes	HK\$'000	HK\$'000
Gross proceeds	4	<u>30,843</u>	<u>49,223</u>
Revenue	3 & 4	9,997	13,089
Cost of sales		<u>(9,401)</u>	<u>(12,331)</u>
Gross profit		596	758
Dividend income from available-for-sale investments		4	83
Dividend income from held-for-trading investments		166	500
Increase (decrease) in fair value of held-for-trading investments		4,417	(7,156)
Other income		34	1,279
Selling and distribution costs		(4,485)	(1,448)
Administrative expenses		(8,057)	(9,088)
Finance costs		(276)	(808)
Impairment loss on available-for-sale investments – unlisted		(465)	–
Impairment loss on interest in an associate – unlisted		(92)	–
Loss on conversion of derivatives financial instruments		(154)	–
(Decrease) increase in fair value of investment properties		(140)	1,815
Net gain on deemed disposal of interests in subsidiaries		125	–
Net gain on deemed disposal of an associate		901	648
Share of results of associates		(5,652)	7,724
Share of results of jointly controlled entities		<u>184</u>	<u>–</u>
Loss before taxation	5	(12,894)	(5,693)
Taxation credit (charge)	6	<u>188</u>	<u>(31)</u>
Loss for the period		<u>(12,706)</u>	<u>(5,724)</u>

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

		Unaudited six months ended 30th June,	
		2009	2008
	Notes	HK\$'000	HK\$'000
Loss for the period attributable to:			
Equity owners of the Company		(10,478)	(4,682)
Non-controlling interests		(2,228)	(1,042)
		<u>(12,706)</u>	<u>(5,724)</u>
Dividend, paid	7	<u>–</u>	<u>(3,028)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic	8	<u>(3.5)</u>	<u>(3.2)</u>
Diluted	8	<u>(3.5)</u>	<u>(6.4)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30th June, 2009*

	<b>Unaudited six months ended 30th June,</b>	
	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(12,706)</b>	(5,724)
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	<b>7,087</b>	3,719
Share of translation differences of associates	<b>(5,567)</b>	9,777
Available-for-sale investments: net movement in investment revaluation reserves	<b>2,292</b>	(10,691)
Income tax relating to components of other comprehensive income	—	—
	<hr/>	<hr/>
Other comprehensive income for the period (net of tax)	<b>3,812</b>	2,805
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>(8,894)</b>	(2,919)
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to:		
Equity owners of the Company	<b>(6,666)</b>	(1,877)
Non-controlling interests	<b>(2,228)</b>	(1,042)
	<hr/>	<hr/>
	<b>(8,894)</b>	(2,919)
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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30th June, 2009*

	<i>Notes</i>	<b>30/6/2009</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2008 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties		23,555	23,695
Property, plant and equipment		20,112	20,955
Prepaid lease payments		23,376	23,675
Goodwill		27,231	27,127
Interests in associates		124,406	125,160
Interests in jointly controlled entities		36,826	36,643
Available-for-sale investments		24,160	21,868
Other non-current assets		10,764	10,644
		<b>290,430</b>	<b>289,767</b>
<b>CURRENT ASSETS</b>			
Prepaid lease payments		598	598
Held-for-trading investments		25,197	32,291
Inventories		4,310	4,257
Trade and other receivables	9	4,438	2,524
Amount due from a non-controlling shareholder		2,104	3,057
Amounts due from related companies		9	9
Tax prepaid		54	106
Deposits held at financial institutions		756	3,177
Bank balances and cash		27,745	26,564
		<b>65,211</b>	<b>72,583</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	12,959	10,430
Amounts due to directors		1,610	1,631
Amount due to a non-controlling shareholder		297	297
Amounts due to related companies		1,566	1,557
Derivatives financial instruments		–	109
Bank and other loans – due within one year	11	5,251	5,918
Dividend payable to a non-controlling shareholder		175	175
Obligations under a finance leases – due within one year		355	410
		<b>22,213</b>	<b>20,527</b>
<b>NET CURRENT ASSETS</b>		<b>42,998</b>	<b>52,056</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>333,428</b>	<b>341,823</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2009

		<b>30/6/2009</b>	31/12/2008
		<b>(unaudited)</b>	(audited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>3,028</b>	3,028
Reserves		<b>291,752</b>	298,924
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Equity attributable to equity owners of the Company		<b>294,780</b>	301,952
Non-controlling interests		<b>21,874</b>	22,293
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<b>TOTAL EQUITY</b>		<b>316,654</b>	324,245
<hr/>			
<b>NON-CURRENT LIABILITIES</b>			
Bank and other loans			
– due after one year	11	<b>16,385</b>	16,794
Obligations under a finance leases			
– due after one year		<b>389</b>	552
Deferred taxation		<b>–</b>	232
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		<b>16,774</b>	17,578
<hr/>			
		<b>333,428</b>	341,823
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## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30th June, 2009*

### 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 2008 annual financial statements.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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, 2008 except as described below:

In current period, the Group has applied the following amendments and interpretations (“new HKFRSs”), issued by the HKICPA, which are effective for the group’s financial year beginning on 1st January, 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments issued in 2008
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs 2009 in relation to the amendment to paragraph 80 of HKAS 39

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods except for the impact as described below.

### **HKFRS 8 “Operating Segments”**

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 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 in order to allocate resources to the segment and to assess its 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 rewards approach, with the entity’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. There are no material changes in the identification of the Group’s reportable segments following the adoption of HKFRS 8.

### **HKAS 1 (Revised) “Presentation of Financial Statements”**

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognized as part of profit or loss for the period, or otherwise in the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 27 (Revised in 2008)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised in 2008)	Business Combinations <sup>1</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2009.

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2010.

<sup>4</sup> Effective for transfers on or after 1st July, 2009.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. REVENUE

An analysis the Group’s revenue is as follows:

	Unaudited six months ended 30th June,	
	2009 HK\$’000	2008 HK\$’000
Sales of goods	6,885	11,298
Property rental income	384	809
Provision of background music and music licensing service	2,728	982
	<u>9,997</u>	<u>13,089</u>

During the period 2008, the Group acquired new subsidiaries which are principally engaged in the provision of background music and music licensing services.

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into four (2008: four) operating divisions – securities investment and trading, property development and investment, industrial and provision of services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the remaining segments are as follows:

Securities investment and trading	– investment and trading in securities.
Property development and investment	– properties development and investment.
Industrial	– manufacturing and sales of garment
Provision of services	– provision of background music and music licensing services



**4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**

Segment information about these businesses under HKFRS 8 is presented below.

**2009**

	Securities investment and trading	Property development and investment	Industrial- manufacturing and sales of garment	Provision of background music and music licensing services	Eliminations	Consolidated
	Unaudited six months ended 30th June,					
	2009	2009	2009	2009	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross proceeds	20,846	384	6,885	2,728	-	30,843
<b>REVENUE</b>						
External revenue	-	384	6,885	2,728	-	9,997
Inter-segment revenue*	612	720	-	-	(1,332)	-
Total revenue	612	1,104	6,885	2,728	(1,332)	9,997
<b>RESULTS</b>						
Segment results	74	(930)	103	(6,506)	-	(7,259)
Other income						34
Finance costs						(276)
Unallocated expenses						(826)
Net gain on deemed disposal of an associate						901
Share of results of associates						(5,652)
Share of results of jointly controlled entities						184
Loss before taxation						(12,894)
Taxation credit						188
Loss for the period						(12,706)

\* Inter-segment revenue were charged at prevailing market rates.

**4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**  
2008

	Securities investment and trading	Property development and investment	Industrial- manufacturing and sales of garment	Provision of background music and music licensing services	Eliminations	Consolidated
	Unaudited six months ended 30th June,					
	2008	2008	2008	2008	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross proceeds	<u>36,134</u>	<u>809</u>	<u>11,298</u>	<u>982</u>	<u>-</u>	<u>49,223</u>
<b>REVENUE</b>						
External revenue	-	809	11,298	982	-	13,089
Inter-segment revenue*	<u>612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(612)</u>	<u>-</u>
Total revenue	<u>612</u>	<u>809</u>	<u>11,298</u>	<u>982</u>	<u>(612)</u>	<u>13,089</u>
<b>RESULTS</b>						
Segment results	<u>(11,964)</u>	<u>1,832</u>	<u>(598)</u>	<u>(3,439)</u>	<u>-</u>	<u>(14,169)</u>
Other income						1,279
Finance costs						(808)
Unallocated expenses						(367)
Net gain on deemed disposal of an associate						648
Share of results of associates						<u>7,724</u>
Loss before taxation						(5,693)
Taxation charge						<u>(31)</u>
Loss for the period						<u>(5,724)</u>

\* Inter-segment revenue were charged at prevailing market rates.

#### 4. 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,	
	2009 HK\$'000	2008 HK\$'000
Hong Kong	2,637	3,838
PRC	2,967	1,357
Japan	4,393	7,894
	<u>9,997</u>	<u>13,089</u>

#### 5. LOSS BEFORE TAXATION

	Unaudited six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	299	329
Auditor's remuneration	1,452	600
Cost of inventories recognised as expense	5,795	10,736
Royalty payment for background music and music licensing (included in cost of sales)	3,597	1,586
Depreciation	1,391	1,256
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK\$1,375,465 (2008: HK\$951,195)	6,714	5,890
Exchange (gain) loss, net	(126)	437
Operating lease payment in respect of rented premises	548	835
Share of tax of associates (included in share of results of associates)	634	760
and after crediting:		
Dividend income from available-for-sale investment	4	83
Rental income from investment properties, less outgoings of HK\$8,791 (2008: HK\$9,181)	376	799
	<u>376</u>	<u>799</u>

## 6. TAXATION CREDIT (CHARGE)

**Unaudited six months  
ended 30th June,  
2009                      2008  
HK\$'000                      HK\$'000**

The taxation credit (charge) comprises:

PRC Enterprise Income Tax:		
Current period	<u>(44)</u>	<u>(49)</u>
	(44)	(49)
Deferred taxation	<u>232</u>	<u>18</u>
	<u><b>188</b></u>	<u><b>(31)</b></u>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. 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.

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

Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was increased from 24% to 25% from 1st January, 2008 onwards. PRC Enterprise Income Tax is calculated at tax rate of 25% (six months ended 30th June, 2008: 25%).

## 7. DIVIDEND

**Unaudited six months  
ended 30th June,  
2009                      2008  
HK\$'000                      HK\$'000**

Dividend recognised as distribution during the period:

2007 final dividend – HK2 cents per share	<u>–</u>	<u>3,028</u>
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The directors do not recommend the payment of any interim dividend for the six months ended 30th June, 2009 (six months ended 30th June, 2008: Nil).

## 8. LOSS PER SHARE

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

	Unaudited six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(10,478)	(4,682)
Effect of dilutive potential shares of associate based on dilution of their earnings per share	—	(4,641)
Loss for the purpose of diluted loss per share	<u>(10,478)</u>	<u>(9,323)</u>
	2009	2008
	(in thousand)	(in thousand)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	302,838	144,299
Effect of dilutive potential ordinary shares on share options	—	1,688
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>302,838</u>	<u>145,987</u>

The weighted average numbers of ordinary shares for the purpose of basic and diluted loss per share have been adjusted for the bonus issue on 10th June, 2008 for period in 2008.

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

## 9. 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 receipt of invoices. The aged analysis of trade receivable is as follows:

	<b>THE GROUP</b>	
	<b>30/6/2009</b>	<b>31/12/2008</b>
	<b>(unaudited)</b>	<b>(audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current:		
0 – 30 days	<b>624</b>	246
Past due:		
31 – 60 days	<b>371</b>	430
61 – 90 days	<b>47</b>	113
Over 90 days	<b>962</b>	126
Total trade receivables	<b>2,004</b>	915
Other receivables	<b>2,434</b>	1,609
	<b>4,438</b>	2,524

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$1,380,000 (31st December, 2008: HK\$669,000) 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 balance sheet date. 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.

## 10. TRADE AND OTHER PAYABLES

The aged analysis of trade payables is as follows:

	THE GROUP	
	30/6/2009 (unaudited) HK\$'000	31/12/2008 (audited) HK\$'000
0 – 30 days	249	5
31 – 60 days	114	12
61 – 90 days	65	2
Over 90 days	68	39
Total trade payables	496	58
Other payables	12,463	10,372
	<u>12,959</u>	<u>10,430</u>

## 11. BANK AND OTHER LOANS

	THE GROUP	
	30/6/2009 (unaudited) HK\$'000	31/12/2008 (audited) HK\$'000
Secured		
Bank loans	17,199	17,599
Other loans	4,437	5,113
	<u>21,636</u>	<u>22,712</u>
Carrying amount repayable:		
On demand or within one year	5,251	5,918
More than one year, but not exceeding two years	831	822
More than two years, but not exceeding five years	2,603	2,575
More than five years	12,951	13,397
	<u>21,636</u>	<u>22,712</u>
Less: amounts due within one year shown under current liabilities	<u>(5,251)</u>	<u>(5,918)</u>
Amount due after one year	<u>16,385</u>	<u>16,794</u>

The bank loans which is denominated in Hong Kong dollars, bear effective interest rates at 3.1% (31st December, 2008: 3.1%) below Hong Kong Prime Lending Rate per annum. The bank loans are secured by leasehold land and building in Hong Kong.

## **11. BANK AND OTHER LOANS** *(Continued)*

The other loans which is denominated in Yen, currencies other than the functional currencies of the relevant group entities, bear floating interest rates at 1.19% (31st December, 2008: 1.105%) per annum.

## **12. PLEDGE OF ASSETS**

At the reporting date:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$12.7 million (31st December, 2008: HK\$9.9 million), of which HK\$4.4 million (31st December, 2008: HK\$5.1 million) had been utilised after considering deposits held by financial institutions, is secured by the listed investments of the Group and the Company of approximately HK\$24.6 million (31st December, 2008: HK\$17.9 million) and HK\$24.6 million (31st December, 2008: HK\$17.9 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 million (31st December, 2008: 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\$232.5 million (31st December, 2008: HK\$232.5 million), of which Nil had been utilised in both period/year after considering deposits held by financial institutions, is secured by the listed investments of the Group and the Company of approximately HK\$116.3 million (31st December, 2008: HK\$23.2 million) and HK\$116.3 million (31st December, 2008: HK\$23.2 million), respectively. The listed investments comprised held-for-trading securities and equity shares in an associate held by the Group; and
- (d) bank loan facilities to the extent of approximately HK\$18.9 million (31st December, 2008: HK\$18.9 million), of which 17.2 million (31st December, 2008: 17.6 million) were drawdown and fully utilised in 2009 and 2008, is secured by the Group's leasehold land and building in Hong Kong with an aggregate carrying value of approximately HK\$27 million (31st December, 2008: 27.4 million).

## **13. CONTINGENT LIABILITIES**

As at 30th June, 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\$17.2 million (31st December, 2008: HK\$17.6 million).

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 is HK\$384,000 (six months ended 30th June, 2008: HK\$809,000). The properties held have committed tenants for the next two years.

At the reporting date, the Group had contracted with tenants for the future minimum lease payments under a non-cancellable operating leases which fall due as follows:

	<b>30/6/2009</b> <b>(unaudited)</b> <i>HK\$'000</i>	31/12/2008 (audited) <i>HK\$'000</i>
Within one year	<b>1,262</b>	2,166
In the second to fifth year inclusive	–	570
	<b>1,262</b>	2,736

##### The Group and the Company as lessee

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

	<b>30/6/2009</b> <b>(unaudited)</b> <i>HK\$'000</i>	31/12/2008 (audited) <i>HK\$'000</i>
Within one year	<b>1,715</b>	229
In the second to fifth year inclusive	<b>583</b>	113
	<b>2,298</b>	342

During the year 2008, 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.

## **MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT CORPORATE RESULTS**

During the six months period ended 30th June, 2009 (the "Period"), the Company and its subsidiaries (the "Group") recorded gross proceeds from operations approximately HK\$30.84 million (2008: HK\$49.22 million), representing a drop of 37.34% over corresponding period in 2008.

The Group's loss attributable to equity holders of the Company approximately HK\$10.48 million (2008: loss of HK\$4.68 million), an increase of 1.24 times comparing for the Period in 2008.

The basic loss per share for the period ended 30th June, 2009 was 3.5 HK cents (2008: basic loss per share of 3.2 HK cents), an increase of 9.38% for the same period in 2008.

## **BUSINESS REVIEW AND PROSPECTS PORTFOLIO COMPANIES**

### *Chinasoft International Limited ("Chinasoft")*

During the Period, the turnover was reported at RMB441.61 million (2008: RMB449.67 million), representing a decline of 1.8% over the Period in 2008, which is attributable to the falling demand in sales of third party software and hardware products. Loss attributable to equity holders of Chinasoft was recorded at RMB31.86 million (2008: Profit of RMB63.43 million) representing a decrease of 1.5 times over the Period in 2008. The reduction was mainly attributable to loss arising from changes in fair value of redeemable convertible preferred shares as at 30th June, 2009 and increase in provision for doubtful debt as a result of the downturn of the global economy.

Chinasoft will expand its client base by means of internal expansion and continuous acquisitions and the size of its outsourcing business had increased significantly and we expect the trend to continue. Following this direction, Chinasoft will strive to maintain its leading position in China's software market and rapidly explore opportunities overseas in facilitation to build up its global reputation.

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

The principal business activities of GMR are provision of background music and music licensing service related business. For the six months ended 30th June, 2009, the revenue of GMR reported was approximately RMB2.52 million, representing a rise of approximately 1.15 times from the same period in 2008 (2008: approximately RMB1.17 million). The net loss before taxation amounted to approximately RMB6.14 million, representing an increase of approximately 1.05 times from the same period in 2008 (2008: net loss RMB2.99 million).

GMR is still at its early stage of business cycle, but the company has already established itself as a leading background music service provider in China, especially in the Beijing region. More than 1,000 background music machines were sold and installed at various shopping malls, hotels, supermarkets, coffee shops, spas and other public and commercial areas all over China. Samples were test-run at various site of Beijing MTR and if satisfactory will be deployed in all of Beijing's MTR stations.

## **BUSINESS REVIEW AND PROSPECTS** *(Continued)*

### **PORTFOLIO COMPANIES** *(Continued)*

#### *Beijing Golden Music Resources Management Technology Co., Ltd. (“GMR”) (Continued)*

The company is still at its early expansion stage, further capital is needed to support its future growth and during this time, to be able to set up a huge background music/audio platform within a short period of time is critical to the company’s success/failure, the Group is positive on the future of this company and will continue to provide financial support if necessary.

#### **Manufacturing**

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

During the Period, Beijing Kailan has reported a turnover of approximately RMB29.52 million (2008: RMB36.30 million) representing a decline of 18.68% over that of 2008 and profit attributable to equity holders of Beijing Kailan was approximately RMB0.81 million (2008: RMB3.06 million) representing a drop of 73.53% over that of last Period. These reflecting the difficult time of Beijing Kailan business has encountered since airlines companies were mostly in cost cutting mode due to drop in passenger number in the past year.

The global recession in the first half of 2009 saw extremely challenging business conditions for commercial aviation. In the second half of 2009, it is predicted that business activities of Beijing Kailan may not be picking up so quickly due to the lag effect of aviation maintenance services.

##### *Jiangsu Bang Bang Silky Fashion Manufacturer Co. Ltd. (“Jiangsu Bang Bang”)*

The Group’s manufacturing operations, Jiangsu Bang Bang is a 51% subsidiary of the Company. For the Period, Jiangsu Bang Bang recorded a turnover approximately of RMB\$6.06 million (2008: RMB\$10.2 million) representing 40.59% decrease comparing with 2008 and a net profit before taxation of RMB\$0.15 million (2008: net loss RMB\$0.28 million) representing 1.54 times increase comparing with 2008.

Jiangsu Bang Bang will maintain a tight control on expenses whereas rebuilding its profit margin. These will support Jiangsu Bang Bang to be in a position which will benefit from eventual economic recovery.

## **BUSINESS REVIEW AND PROSPECTS** (*Continued*)

### **Financial Services**

#### *First Credit Limited ("First Credit")*

First Credit is a wholly-owned subsidiary of First Holdings Consortium Limited, which the Group holds approximately 12.2% 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 2009 with approximately turnover of HK\$28.68 million representing a rise of 31.2% as compared to that of last Period (2008: HK\$21.86 million) and net profit before taxation of HK\$13.67 million (2008: HK\$11.35 million) representing 20.44% improvement when compared to that of last Period.

Market sentiment has generally improved as global credit market conditions stabilised during early 2009. With the strong backing of the various governments, the economic contraction in the U.S. and European economies is less severe than expected. However it may be too early to convince that the economic recovery will be sustainable in the second half of 2009. Under this environment, First Credit will reinforce initiatives to sharpen its competitive edge and strive to improve its credit quality of loan portfolio.

### **BUSINESS OUTLOOK**

In the second half of 2009, global economy seems to stabilize and show signs of gradual recovery. Growth rate of China's economy is expected to surpass the 8% target whereas the Hong Kong economy should benefit from the Mainland's supportive policies and growth prospects. Despite the uncertainties in economic trends, the Group will endure to explore appropriate investment opportunities around the world, anticipating to further expand the Group's scale, widen its asset base and diversify its portfolio through merger and acquisitions, with the aim to generate stable, long-term and satisfactory returns to our shareholders.

### **FINANCIAL REVIEW**

#### **Liquidity, Capital Structure and Financial Resources**

As at 30th June, 2009, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$28.50 million (2008: HK\$29.74 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, 2009, the Group had total borrowings of HK\$11.13 million (2008: HK\$22.71 million) of which HK\$5.25 million (2008: HK\$5.92 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.

## **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, 2009 dropped to 7.34% (2008: 7.52%). The Group's current ratio (current assets to current liabilities) as at 30th June, 2009 declined to 2.94 (2008: 3.54). On the whole, the financial position and liquidity of the Group maintained at a healthy level.

### **Capital Structure**

During the Period, there was no change to the share capital of the Company. As at 30th June, 2009, the total number of issued ordinary shares of the Company was 302,837,886 shares.

### **Pledge of Assets**

As at 30th June, 2009, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK\$167.9 million (2008: HK\$80.4 million) to banks and financial institutions for margin trading facilities, and other loan facilities to the Group to the extent of approximately HK\$281.1 million (2008: HK\$278.4 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, 2009, the Company is contingently liable for guarantee issued to a bank in respect of a property mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK\$17.20 million (2008: HK\$17.60 million).

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.

### *Capital Commitments*

The Group had no capital commitment as at 30th June, 2009 (2008: HK\$36.28 million).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There was no material acquisitions and disposals of subsidiaries and associated companies during the six months ended 30th June, 2009.

### **SUBSEQUENT EVENT**

On 8th May, 2009, Far East Art and Cultural Corporation Limited, a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Loyal Wealth Property Limited to sell an investment property of a cinema (including part of G/F to 3/F), Tung Fai Court, 2 Shui Che Kwun Street, Yuen Long, New Territories. The sales will be completed on or before 29th October, 2009 and the aggregate consideration amounted to HK\$9.21 million. The estimated loss to the Group is in the region of approximately HK\$1.29 million.

### **INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2009 (2008: Nil).

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30th June, 2009, the Group had approximately 350 employees in Hong Kong and PRC (2008: 300 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 (2008: 2,300,000) share options outstanding under the share option scheme as at 30th June, 2009.

### **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, 2009, 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 two independent non-executive directors namely, Mr. Derek Chiu, Dr. Lee G. Lam, 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, 2009.

## **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.

## **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. 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, 2009.

## **PASSING AWAY OF A DIRECTOR**

Mr. Hing Wah Yim, an independent non-executive director of the Company passed away on 14th July, 2009. The Board thanks for his invaluable contribution to the Company in the past.

On behalf of the Board

**DUNCAN CHIU**

*Managing Director and Chief Executive Officer*

Hong Kong, 22nd September, 2009

*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 and Mr. Eugene Yun Hang Wang.*