



FEHI

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

2009
Interim Report

Place of Incorporation
Hong Kong

Board of Directors

Executive Directors:

Deacon Te Ken Chiu, J.P. (Chairman)
Mr. Duncan Chiu, B.Sc (Managing Director and Chief Executive Officer)
Mr. Dennis Chiu, B.A.

Non-executive Directors:

Tan Sri Dato' David Chiu, B.Sc.
Mr. Daniel Tat Jung Chiu
Mr. Derek Chiu, B.A.
Mr. Desmond Chiu, B.A.
Ms. Margaret Chiu, LL.B.

Independent Non-executive Directors:

Dr. Lee G. Lam
Mr. Eugene Yun Hang Wang, MBA

Company Secretary and Qualified Accountant

Mr. Hung Kwong Lui, FCPA, FCCA, CGA, ACA

Solicitors

Woo, Kwan, Lee & Lo

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Authorised Representatives

Mr. Duncan Chiu, B.Sc.
Mr. Hung Kwong Lui, FCPA, FCCA, CGA, ACA

Audit Committee

Dr. Lee G. Lam (Chairman)
Mr. Eugene Yun Hang Wang, MBA
Mr. Derek Chiu, B.A.

Remuneration Committee

Mr. Duncan Chiu, B.Sc. (Chairman)
Dr. Lee G. Lam
Mr. Eugene Yun Hang Wang, MBA

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Registered Office

16th Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong

Principal Office

Room 2101-02, 21st Floor, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong
Telephone: 3521 3800
Facsimile: 3521 3821
Email: info@feholdings.com.hk

Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

Listing Information

Stock Exchange of Hong Kong ("SEHK"): 36
Board Lot Size: 3000

Website

<http://www.feholdings.com.hk>

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CORPORATE PROFILE

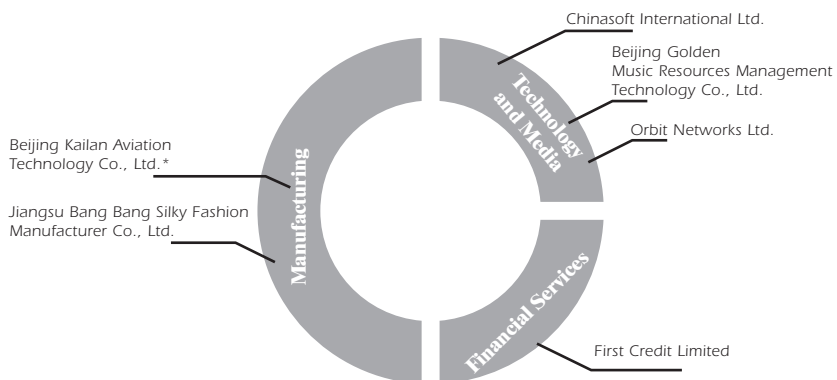
Far East Holdings International Limited (HKEX stock code No.: 36), a consolidated enterprise backed by the legendary Deacon Chiu's family, has been listed on the main board of the Hong Kong Stock Exchange since 1973. As an investment holdings company, its subsidiaries and associates are active in a broad range of regions and sectors, including technology, media, manufacturing and financial services.

We identify opportunities in the Greater China region with the core philosophy of creating benefits to stakeholders and the wider community. Convinced that Greater China is quickly becoming a global investment hub, we provide unique investment insight and value-oriented strategies thanks to our extensive China network and expertise in key sectors. We acquire high quality companies that possess niche market positioning, a clear focus on the respective business and the potential to fully expand in mainland China. We acquire majority/minority stakes in companies at their early stage. We aim to help them realize their full potentials and target multifold returns, after committing our resources to develop them over 3-7 years' of time. Our success is also based on the professional and experienced board of directors, management team and investment associates.

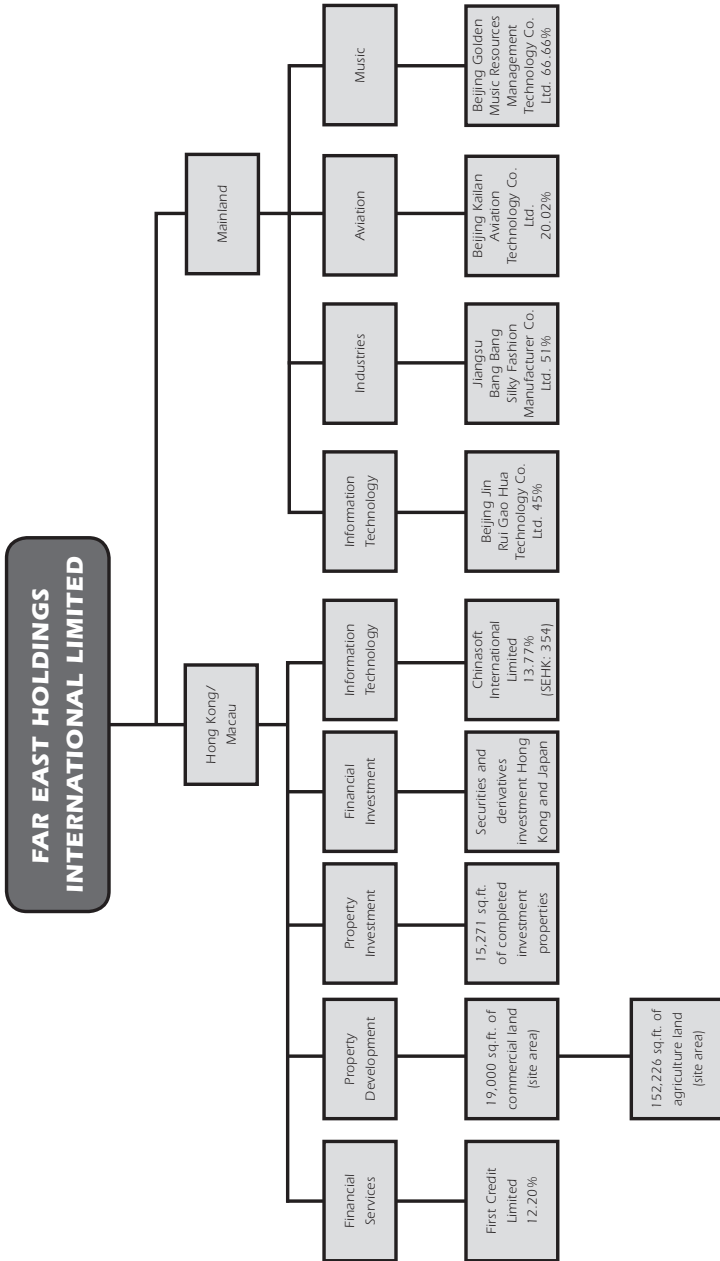
Our mission is to realize the potential of our portfolio of companies as well as their management teams and employees in order to generate superior returns for our shareholders. We understand shareholders' desire to make profit in their investment. We share this common value and strive to work towards securing attractive returns, while minimizing the risk of capital loss through all stages of the business cycle.

CORPORATE PROFILE

INVESTMENT PORTFOLIO



* Unofficial English translation of the official name in Chinese.



MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

CORPORATE RESULTS

During the six months period ended 30th June, 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.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

BUSINESS REVIEW AND PROSPECTS (Continued)

Portfolio companies (Continued)

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-runned at various site of Beijing MTR and if satisfactory will be deployed in all of Beijing's MTR stations.

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.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

BUSINESS REVIEW AND PROSPECTS (Continued)

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 RMB6.06 million (2008: RMB10.2 million) representing 40.59% decrease comparing with 2008 and a net profit before taxation of RMB0.15 million (2008: net loss RMB0.28 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.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

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.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

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.

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).

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

FINANCIAL REVIEW (Continued)

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.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

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.

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

	Notes	Unaudited six months ended 30th June,	
		2009 HK\$'000	2008 HK\$'000
Gross proceeds	4	30,843	49,223
Revenue	3 & 4	9,997	13,089
Cost of sales		(9,401)	(12,331)
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	12	901	648
Share of results of associates	12	(5,652)	7,724
Share of results of jointly controlled entities		184	–
Loss before taxation	5	(12,894)	(5,693)
Taxation credit (charge)	6	188	(31)
Loss for the period		(12,706)	(5,724)

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2009

	<i>Notes</i>	30/6/2009 (unaudited) HK\$'000	31/12/2008 (audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties	9	23,555	23,695
Property, plant and equipment		20,112	20,955
Prepaid lease payments	10	23,376	23,675
Goodwill	11	27,231	27,127
Interests in associates	12	124,406	125,160
Interests in jointly controlled entities		36,826	36,643
Available-for-sale investments	13	24,160	21,868
Other non-current assets		10,764	10,644
		290,430	289,767
CURRENT ASSETS			
Prepaid lease payments	10	598	598
Held-for-trading investments		25,197	32,291
Inventories		4,310	4,257
Trade and other receivables	14	4,438	2,524
Amount due from a non-controlling shareholder		2,104	3,057
Amounts due from a related company		9	9
Tax prepaid		54	106
Deposits held at financial institutions		756	3,177
Bank balances and cash		27,745	26,564
		65,211	72,583
CURRENT LIABILITIES			
Trade and other payables	15	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	16	5,251	5,918
Dividend payable to a non-controlling shareholder		175	175
Obligations under a finance leases			
– due within one year	17	355	410
		22,213	20,527
NET CURRENT ASSETS		42,998	52,056
TOTAL ASSETS LESS CURRENT LIABILITIES		333,428	341,823

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2009

		30/6/2009 (unaudited) HK\$'000	31/12/2008 (audited) HK\$'000
	<i>Notes</i>		
CAPITAL AND RESERVES			
Share capital	18	3,028	3,028
Reserves		291,752	298,924
		<hr/>	<hr/>
Equity attributable to equity owners			
of the Company		294,780	301,952
Non-controlling interests		21,874	22,293
		<hr/>	<hr/>
TOTAL EQUITY		316,654	324,245
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Bank and other loans			
– due after one year	16	16,385	16,794
Obligations under a finance leases			
– due after one year	17	389	552
Deferred taxation		-	232
		<hr/>	<hr/>
		16,774	17,578
		<hr/>	<hr/>
		333,428	341,823
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009 (Unaudited)

	Attributable to equity owners of the Company								Total HK\$'000
	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	Share option reserve	Retained profits	Total	Non- controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at									
1st January, 2009 (Audited)	3,028	168,554	27,085	-	567	102,718	301,952	22,293	324,245
Loss for the period	-	-	-	-	-	(10,478)	(10,478)	(2,228)	(12,706)
Exchange differences arising on translation of foreign operations	-	-	6,581	-	-	-	6,581	506	7,087
Share of translation differences of associates	-	-	(5,567)	-	-	-	(5,567)	-	(5,567)
Increase in fair value of available-for-sale investments	-	-	-	2,292	-	-	2,292	-	2,292
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	1,014	2,292	-	(10,478)	(7,172)	(1,722)	(8,894)
Non-controlling interest arising on acquisition of subsidiaries	-	-	-	-	-	-	-	1,428	1,428
Net gain on deemed disposal interest in subsidiaries	-	-	-	-	-	-	-	(125)	(125)
Balance at									
30th June, 2009 (Unaudited)	<u>3,028</u>	<u>168,554</u>	<u>28,099</u>	<u>2,292</u>	<u>567</u>	<u>92,240</u>	<u>294,780</u>	<u>21,874</u>	<u>316,654</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008 (Unaudited)

	Attributable to equity owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1st January, 2008 (Audited)	1,304	137,894	15,345	514	1,051	171,990	328,098	17,108	345,206
Loss for the period	-	-	-	-	-	(4,682)	(4,682)	(1,042)	(5,724)
Exchange differences arising on translation of foreign operations	-	-	1,747	-	-	-	1,747	1,972	3,719
Share of translation differences of associates	-	-	9,777	-	-	-	9,777	-	9,777
Decrease in fair value of available-for-sale investments	-	-	-	(10,691)	-	-	(10,691)	-	(10,691)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	11,524	(10,691)	-	(4,682)	(3,849)	930	(2,919)
Dividends recognised as distribution	-	-	-	-	-	(3,028)	(3,028)	-	(3,028)
Transaction costs attributable to issue of new shares	-	(69)	-	-	-	-	(69)	-	(69)
Issued bonus shares	1,514	(1,514)	-	-	-	-	-	-	-
Exercise of shares options	10	1,633	-	-	(484)	-	1,159	-	1,159
Shares issued in consideration for the acquisition of subsidiaries	200	31,800	-	-	-	-	32,000	-	32,000
Non-controlling interest arising on acquisition of subsidiaries	-	-	-	-	-	-	-	8,208	8,208
Balance at 30th June, 2008 (Unaudited)	<u>3,028</u>	<u>169,744</u>	<u>26,869</u>	<u>(10,177)</u>	<u>567</u>	<u>164,280</u>	<u>354,311</u>	<u>26,246</u>	<u>380,557</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2009

	Unaudited six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from (used in) operating activities	7,718	(19,488)
Net cash used in investing activities	(4,927)	(9,369)
Net cash used in financing activities	(1,582)	(6,303)
Net increase (decrease) in cash and cash equivalents	1,209	(35,160)
Cash and cash equivalents at beginning of period	26,564	82,686
Effect of foreign exchange rate changes	(28)	1,305
Cash and cash equivalents at end of period represented by bank balances and cash	27,745	48,831

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:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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

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

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

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

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

4 Effective for transfers on or after 1st July, 2009.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

3. REVENUE

An analysis the Group's revenue is as follows:

	Unaudited six months ended 30th June,	
	2009	2008
	HK\$'000	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
	9,997	13,089

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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 HK\$'000	2009 HK\$'000	2009 HK\$'000	2009 HK\$'000		
Gross proceeds	<u>20,846</u>	<u>384</u>	<u>6,885</u>	<u>2,728</u>	<u>-</u>	<u>30,843</u>
REVENUE						
External revenue	-	384	6,885	2,728	-	9,997
Inter-segment revenue*	<u>612</u>	<u>720</u>	<u>-</u>	<u>-</u>	<u>(1,332)</u>	<u>-</u>
Total revenue	<u>612</u>	<u>1,104</u>	<u>6,885</u>	<u>2,728</u>	<u>(1,332)</u>	<u>9,997</u>
Results						
Segment results	<u>74</u>	<u>(930)</u>	<u>103</u>	<u>(6,506)</u>	<u>-</u>	<u>(7,259)</u>
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						<u>(12,706)</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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>
REVENUE						
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>
Results						
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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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
	9,997	13,089

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

5. LOSS BEFORE TAXATION

	Unaudited six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
<hr/>		
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
	_____	_____

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

6. TAXATION CREDIT (CHARGE)

	Unaudited six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
<hr/>		
The taxation credit (charge) comprises:		
PRC Enterprise Income Tax:		
Current period	(44)	(49)
	<hr/>	<hr/>
	(44)	(49)
Deferred taxation	232	18
	<hr/>	<hr/>
	188	(31)
	<hr/> <hr/>	<hr/> <hr/>

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%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

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	–	3,028
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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

Loss:

Loss for the period attributable to equity 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	(10,478)	(9,323)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

8. LOSS PER SHARE (Continued)

	2009 (in thousand)	2008 (in thousand)
Number of shares		
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	302,838	145,987

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

9. INVESTMENT PROPERTIES

	THE GROUP	
	30/6/2009	31/12/2008
	(unaudited)	(audited)
	HK\$'000	HK\$'000
<hr/>		
AT VALUATION		
At beginning of period/year	23,695	24,230
Decrease in fair value recognised in consolidated income statement	(140)	(535)
	<hr/>	<hr/>
At end of period/year	23,555	23,695
	<hr/> <hr/>	<hr/> <hr/>

The carrying value of investment properties shown above comprises:

	THE GROUP	
	30/6/2009	31/12/2008
	(unaudited)	(audited)
	HK\$'000	HK\$'000
<hr/>		
Land in Hong Kong		
Medium – term lease	18,555	18,695
Land outside Hong Kong		
Medium – term lease	5,000	5,000
	<hr/>	<hr/>
	23,555	23,695
	<hr/> <hr/>	<hr/> <hr/>

All of the Group's and the Company's investment properties including both land and building elements are situated in the Hong Kong and Macau held under medium-term leases.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

9. INVESTMENT PROPERTIES (Continued)

The investment properties were fair valued at 30th June, 2009 and 31st December, 2008 by DTZ Debenham Tie Leung Limited, an independent firm of valuers not connected with the Group. DTZ Debenham Tie Leung Limited is member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation of HK\$9,210,000 (31st December, 2008: HK\$10,500,000) and HK\$14,345,000 (31st December, 2008: HK\$13,195,000) were arrived at by considering the capitalised income to be derived from properties and by reference to market evidence of the transaction prices for similar properties, respectively.

The investment properties of the Group and the Company includes amount of HK\$5,645,000 and HK\$5,645,000 at 30th June, 2009 (31st December, 2008: HK\$5,645,000 and HK\$5,645,000) respectively, the title of which has not been transferred to the Group and the Company and are still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

10. PREPAID LEASE PAYMENTS

	THE GROUP	
	30/6/2009	31/12/2008
	(unaudited)	(audited)
	HK\$'000	HK\$'000
<hr/>		
The prepaid lease payments comprise the following leasehold land held under medium-term leases:		
Land in Hong Kong	22,802	23,084
Land in the PRC	1,172	1,189
	<hr/>	<hr/>
	23,974	24,273
	<hr/> <hr/>	<hr/> <hr/>

Analysed for reporting purposes as:

Current	598	598
Non-current	23,376	23,675
	<hr/>	<hr/>
	23,974	24,273
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

11. GOODWILL

	THE GROUP	
	30/6/2009	31/12/2008
	(unaudited)	(audited)
	HK\$'000	HK\$'000
COST		
At beginning of period/year	40,327	–
Arising on acquisition of subsidiaries for the period/year	104	40,327
At end of period/year	<u>40,431</u>	<u>40,327</u>
IMPAIRMENT		
At beginning of period/year	(13,200)	–
Impairment loss recognised for the period/year	–	(13,200)
At end of period/year	<u>(13,200)</u>	<u>(13,200)</u>
CARRYING AMOUNT		
At end of period/year	<u>27,231</u>	<u>27,127</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

12. INTERESTS IN ASSOCIATES

	THE GROUP	
	30/6/2009	31/12/2008
	(unaudited)	(audited)
	HK\$'000	HK\$'000
<hr/>		
Cost of investment in associates		
Listed in Hong Kong	18,865	16,357
Unlisted in Hong Kong	342	247
Share of post-acquisition reserves, net of dividends received	105,291	108,556
Less: impairment loss recognized – unlisted	(92)	–
	<hr/> 124,406 <hr/>	<hr/> 125,160 <hr/>
Market value of listed associate	125,037 <hr/> <hr/>	77,876 <hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

12. INTERESTS IN ASSOCIATES (Continued)

Particulars of associates of the Group at 30th June, 2009 and 31st December, 2008 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued ordinary share capital held by the Group		Principal activity
		2009	2008	
Chinasoft International Limited ("Chinasoft")*	Cayman Islands/ PRC	13.77%	13.33%	Provision of information technology services
Vigor Capital Limited ("Vigor")	Hong Kong/ Hong Kong	20.24%	19.84%	Provision of assets management services

* Listed in the Main Board of The Stock Exchange of Hong Kong Limited.

Chinasoft

During the period/year, Chinasoft has issued a total of 2,108,000 (31st December, 2008: 8,650,000) shares to share option holders on the exercise of their rights under share options.

During the period/year, the Group has further acquired 4,660,000 (31st December, 2008: 3,850,000) shares of Chinasoft at a consideration of HK\$2,507,000 (31st December, 2008: HK\$3,687,000).

As a result of further acquisition and issuance of new shares by Chinasoft to parties, the Group's shareholding in Chinasoft as at 30th June, 2009 has increased from 13.66% to 13.77% (six months ended 30th June, 2008: decreased from 13.18% to 13.10%), resulting in a cumulative gain on deemed disposal of HK\$901,000 (six months ended 30th June, 2008: a cumulative gain on deemed disposal of HK\$648,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

12. INTERESTS IN ASSOCIATES (Continued)

Chinasoft (Continued)

The directors of the Group believe that the Group is able to exert significant influence over Chinasoft as the Group has nominated Mr. Duncan Chiu as a director of Chinasoft who also participates in the financial and operating decisions of Chinasoft.

Vigor

During the period/year, the Group subscribed for 95,000 (31st December, 2008: 95,000) shares in Vigor at a consideration of HK\$95,000 (31st December, 2008: HK\$95,000), resulting in an increase of the Group's shareholding in Vigor from 19.84% to 20.24% (31st December, 2008: 19% to 19.84%).

As at the period end, the Group assessed the recoverable amount of the entire carrying amount of the interests in an associate of Vigor which based on the expected future cash flows to be derived from interests in an associate of Vigor. The director of the Company identified an impairment loss of HK\$92,000 for the period ended 30th June, 2009 (six months ended 30th June, 2008: Nil) and such amount has been charged to the consolidated income statement.

The directors of the Group believe that the Group is able to exert significant influence over Vigor as the Group has nominated Mr. Duncan Chiu as a director of Vigor who also participates in the financial and operating decisions of Vigor.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

12. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	THE GROUP	
	30/6/2009 (unaudited) HK\$'000	31/12/2008 (audited) HK\$'000
Total assets	1,614,596	1,597,812
Total liabilities	(651,207)	(608,171)
Net assets	963,389	989,641
Group's share of net assets of associates	124,406	125,160
	Unaudited six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
Revenue	501,788	496,640
(Loss) profit for the period	(35,031)	68,008
Group's share of (loss) profit of associates for the period	(5,652)	7,724

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

13. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	30/6/2009	31/12/2008
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Equity securities listed in Hong Kong, at fair value	5,860	3,568
Unlisted equity securities in Hong Kong	20,251	19,786
Less: impairment loss recognised	(1,951)	(1,486)
	18,300	18,300
	24,160	21,868

The above unlisted investment represents investment in unlisted equity securities issued by an unlisted entity incorporated in the Hong Kong which operate in the money lending industry and the provision of internet technology services. These investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

The impairment loss of the unlisted equity securities is estimated by the directors based on expected future cash flows to be derived from the investments in unlisted equity securities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

14. 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:

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

15. 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
	12,959	10,430

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

16. BANK AND OTHER LOANS

	THE GROUP	
	30/6/2009	31/12/2008
	(unaudited)	(audited)
	HK\$'000	HK\$'000
<hr/>		
Secured		
Bank loans	17,199	17,599
Other loans	4,437	5,113
	<hr/>	<hr/>
	21,636	22,712
	<hr/> <hr/>	<hr/> <hr/>
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
	<hr/>	<hr/>
	21,636	22,712
Less: amounts due within one year shown under current liabilities	(5,251)	(5,918)
	<hr/>	<hr/>
Amount due after one year	16,385	16,794
	<hr/> <hr/>	<hr/> <hr/>

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

17. OBLIGATIONS UNDER A FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	30/6/2009 (unaudited) HK\$'000	31/12/2008 (audited) HK\$'000	30/6/2009 (unaudited) HK\$'000	31/12/2008 (audited) HK\$'000
THE GROUP				
Amounts payable under finance lease:				
Within one year	426	506	355	410
In the second to fifth year inclusive	418	611	389	552
	844	1,117	744	962
Less: Future finance charges	(100)	(155)	-	-
Present value of lease obligations	744	962	744	962
Less: Amount due within one year shown under current liabilities			(355)	(410)
Amount due after one year			389	552

The obligations under a finance leases are secured by motor vehicles. The terms of the leases range from three to four years (31st December, 2008: three years to four years). Interest rates are fixed at either 5.25% or 7% per annum (31st December, 2008: 5.25% or 7% per annum). No arrangements have been entered into for contingent rental payments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

18. SHARE CAPITAL

	Number of Shares		Share Capital	
	30/6/2009 (in thousand)	31/12/2008 (in thousand)	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Ordinary shares of HK\$0.01 each:				
Authorised:				
At beginning and end of period/year	70,000,000	70,000,000	700,000	700,000
Issued and fully paid:				
At beginning of period/year	302,838	130,451	3,028	1,304
Exercise of share options	-	968	-	10
Shares issued in consideration for the acquisition of subsidiaries	-	20,000	-	200
Issue of bonus shares	-	151,419	-	1,514
At end of period/year	302,838	302,838	3,028	3,028

Notes:

- (a) During the year 2008, 968,000 ordinary shares of HK\$0.01 each were issued to the Company's employees pursuant to the exercise of share options granted to the employees.
- (b) Pursuant to an ordinary resolution dated 30th May, 2008, the Company issued 151,419,000 ordinary shares of HK\$0.01 each by way of a bonus issue through capitalisation from the share premium account on the basis of one bonus share for every issued ordinary share.
- (c) Pursuant to an ordinary resolution dated 12th February, 2008, the Company issued 20,000,000 ordinary shares of HK\$0.01 each as part of the consideration to acquire an equity interest in Wealth Trend Investment Limited.

The new ordinary shares rank pari passu with the existing shares in all respect.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

19. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23rd May, 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20th July, 2015. At 30th June, 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme is 2,300,000 (31st December, 2008: 2,300,000) shares.

Pursuant to the bonus issue during the year 2008, the exercise price and remaining number of the share options granted were further adjusted from HK\$1.2182 to 0.6091 and from 1,150,000 to 2,300,000, respectively.

No shares options were granted, exercised or cancelled during the period.

Details of the share options outstanding at 30th June, 2009 as follows:

Capacity of grantee	Grant date	Adjusted exercise price HK\$	Exercisable period (both days inclusive)	Number of Share Options				
				Balance at 1.1.2009	Granted during the period	Exercised during the period	Cancelled during the period	Balance at 30.06.2009
Employees	21/4/2006	0.6091	23rd May, 2006 to 22nd May, 2016	660,000	-	-	-	660,000
	21/4/2006	0.6091	23rd May, 2007 to 22nd May, 2017	1,640,000	-	-	-	1,640,000
				<u>2,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,300,000</u>

The weighted average exercise price and share price at the date of exercise of the share options during the period is HK\$1.19 and HK\$3.5 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

19. SHARE OPTION SCHEME (Continued)

No shares options were granted during the year.

Details of the share options outstanding at 31st December, 2008 as follows:

Capacity of grantee	Grant date	Adjusted exercise price HK\$	Exercisable period (both days inclusive)	Number of Share Options				
				Balance at 1.1.2008	Exercised during the year	Balance before bonus issue	Adjustment for bonus issue	Balance at 31.12.2008
Employees	21/7/2005	1.153	21st July, 2005 to 20th July, 2015	468,348	(468,348)	-	-	-
	21/4/2006	0.6091	23rd May, 2006 to 22nd May, 2016	825,000	(495,000)	330,000	330,000	660,000
	21/4/2006	0.6091	23rd May, 2007 to 22nd May, 2017	825,000	(5,000)	820,000	820,000	1,640,000
				<u>2,118,348</u>	<u>(968,348)</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>2,300,000</u>

The weighted average exercise price and share price at the date of exercise of the share options during the year is HK\$1.19 and HK\$3.5 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

20. 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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

21. 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.

22. 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:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

22. OPERATING LEASE ARRANGEMENTS (Continued)

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:

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

23. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties:

Related party	Nature of transaction	Unaudited six months ended 30th June	
		2009 HK\$'000	2008 HK\$'000
Non-controlling shareholder of a subsidiary	Sales of goods	4,394	7,894
Non-controlling shareholder of a subsidiary	Purchases of materials	329	378
Non-controlling shareholder of a subsidiary	Development costs	–	276
Related companies	Rental expenses	168	286
A director	Interest income	–	98

The Company performed certain administrative services for its subsidiaries for which a management fee of HK\$612,000 (six months ended 30th June, 2008: HK\$612,000) was charged to the subsidiaries.

Certain directors of the Company have beneficial interest in the related company.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at the 30th June, 2009, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), to be entered in the register of the Company referred to therein or were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers ("Mode Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules"), to be notified to the Company:

(i) Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of director	Number of ordinary shares of the Company held				Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total interests	
Deacon Te Ken Chiu, J.P.	20,848,664	4,175,160 ⁽¹⁾	1,869,366	26,893,190	8.88%
Tan Sri Dato' David Chiu	3,740,000	-	12,337,600 ⁽²⁾	16,077,600	5.31%
Ms. Margaret Chiu	2,200,000	-	-	2,200,000	0.73%
Mr. Dennis Chiu	7,040,088	-	4,400,000 ⁽³⁾	11,440,088	3.78%
Mr. Daniel Tat Jung Chiu	4,840,000	-	22,880,088 ⁽⁴⁾	27,720,088	9.15%
Mr. Derek Chiu	88,440	-	-	88,440	0.03%
Mr. Desmond Chiu	4,000	-	-	4,000	0.001%
Mr. Duncan Chiu	59,599,932	-	-	59,599,932	19.68%

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES (Continued)

(i) Long positions (Continued)

Ordinary shares of HK\$0.01 each of the Company

Notes:

- (1) These shares are held by Madam Ching Lan Ju Chiu, wife of Deacon Te Ken Chiu, J.P.
- (2) These shares are held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu.
- (3) These shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.
- (4) Of the 22,880,088 shares, 4,400,000 shares are held by Cape York, and the remaining 18,480,088 shares are held by Gorich Holdings Limited, a company wholly-owned by Mr. Daniel Tat Jung Chiu.

(ii) Directors' interests in share options of the Company

As at 30th June, 2009, the interests of the Directors or chief executive of the Company, and their respective associates, in the underlying shares of the Company which might be issued pursuant to exercise of the share options granted to the Directors and employees pursuant to the Company's share option scheme were as follows:

Grantee	Number of Shares Options			Exercise price HK\$	Date of grant	Exercisable period (Both days inclusive)
	Outstanding	Exercised	Outstanding			
	as at 1/1/2009	during the period	as at 30/6/2009			
Employees	660,000	-	660,000	0.6091	21/4/2006	23/5/2006-22/5/2016
	1,640,000	-	1,640,000	0.6091	21/4/2006	23/5/2007-22/5/2017
	<u>2,300,000</u>	<u>-</u>	<u>2,300,000</u>			

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES (Continued)

(ii) Directors' interests in share options of the Company (Continued)

Notes:

- (1) At 2005 annual general meeting of the Company held on 23rd May, 2005, a share option scheme (the "Option Scheme") of the Company was adopted by the shareholders of the Company. As at 30th June, 2009, there were 2,300,000 share options granted by the Company pursuant to the Option Scheme which were valid and outstanding.
- (2) No share options were exercised, granted, lapsed and cancelled during the Period.

Save as disclosed above, none of the directors, nor their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June 2009.

DISCLOSURE OF ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' Interests in Shares", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Name of Substantial Shareholder	Capacity	Number of Ordinary shares held	Percentage of issued share capital of the Company
Madam Ju Ching Lan ⁽¹⁾	Beneficial owner and spouse	26,893,190	8.88%
Gorich Holdings Limited ("Gorich") ⁽²⁾	Beneficial owner	18,480,088	6.10%
Max Point Holdings Limited ("Max Point") ⁽³⁾	Beneficial owner	15,528,480	5.13%
Mr. Chan Wai Ki ⁽³⁾	Interest of controlled Corporation	15,528,480	5.13%
Mr. Sin Kwok Lam ⁽⁴⁾	Beneficial owner and interest of controlled Corporation	28,528,000	9.42%
Allied Wealth Holdings Limited ("Allied Wealth") ⁽⁴⁾	Beneficial owner	28,000,000	9.25%

Notes:

- (1) Of the 26,893,190 shares, 22,718,030 shares are held by Mr. Deacon Chiu. Madam Ju Ching Lan is the spouse of Mr. Deacon Chiu. The interests of Mr. Deacon Chiu in the Company is stated under the section headed "Directors' Interests in shares" above.
- (2) Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu. The interests of Mr. Daniel Tat Jung Chiu in the Company is stated under the section headed "Directors' Interests in shares" above.
- (3) The entire share capital of Max Point is beneficially owned by Mr. Chan Wai Ki.
- (4) Of the 28,528,000 shares, 28,000,000 shares are held by Allied Wealth, a company wholly-owned by Mr. Sin Kwok Lam.
- (5) All interests disclosed above represent long positions in the ordinary shares of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital 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 namely, Mr. Derek Chiu, and two independent non-executive directors namely, 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.

DISCLOSURE OF ADDITIONAL INFORMATION

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 executive 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