

**FEH**

**遠東控股國際有限公司**

**Far East Holdings International Limited**

(Incorporated in Hong Kong with limited liability)

Stock Code : 0036



INTERIM REPORT  
**2010**

## 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:

Mr. Derek Chiu, B.A.

Mr. Desmond Chiu, B.A.

### Independent Non-executive Directors:

Dr. Lee G. Lam

Mr. Eugene Yun Hang Wang, MBA

Mr. Andrew Chun Wah Fan, BBA, CPA, LLB

## Company Secretary and Qualified Accountant

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

## Solicitors

Sit, Fung, Kwong & Shum

## 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.

Mr. Andrew Chun Wah Fan, BBA, CPA, LLB

## Remuneration Committee

Mr. Duncan Chiu, B.Sc. (Chairman)

Dr. Lee G. Lam

Mr. Eugene Yun Hang Wang, MBA

## Investment Committee

Dr. Lee G. Lam (Chairman)

Mr. Duncan Chiu, B.Sc.

Mr. Derek Chiu, B.A.

Mr. Desmond Chiu, B.A.

## 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 2101-2102, 21st Floor,

Far East Consortium Building,

121 Des Voeux Road Central, Hong Kong

Telephone: 3521 3800

Facsimile: 3521 3821

Email: [info@feholdings.com.hk](mailto: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"): 0036

Board Lot Size: 3000

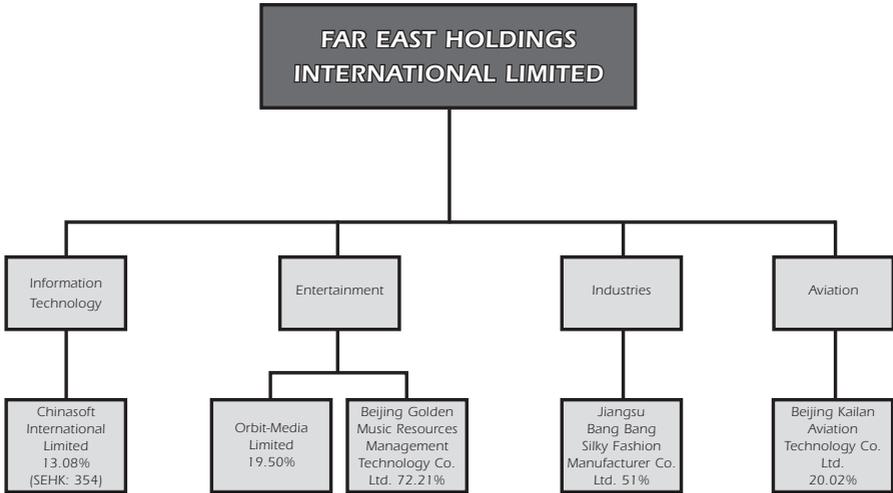
## Website

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

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# CORPORATE PROFILE

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# MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## CORPORATE RESULTS

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

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

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

## BUSINESS REVIEW AND PROSPECTS

### Business Review

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

### Information Technology Holdings

*Chinasoft International Limited ("Chinasoft")*

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

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

### Entertainment Holdings

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

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

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

# MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## BUSINESS REVIEW AND PROSPECTS (Continued)

### Aviation Maintenance Holdings

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

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

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

### Garment Manufacturing Industry

*Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited ("JBB")*

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

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

### Business Prospects

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

## FINANCIAL REVIEW

### Liquidity, Capital Structure and Financial Resources

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

# MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## FINANCIAL REVIEW (Continued)

### Gearing Ratio and Current Ratio

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

### Capital Structure

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

### Disposal of Property and Pledge of Assets

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

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

### Exposure on Foreign Exchange Fluctuations

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

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

### *Contingent Liabilities*

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

### *Capital Commitments*

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

# MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

## EVENT AFTER THE REPORTING PERIOD

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

As disclosed in the announcement of the Company dated 6 September 2010, the Company was informed on 3 September 2010 that one director and two employees of the Company have been charged by the Commercial Crime Bureau of the Hong Kong Police Force in respect of alleged offences including section 157H (2)(a) of the Companies Ordinance, Cap. 32 of the Laws of Hong Kong. Based on the information available to the board of directors (the "Board"), one director and two employees are now on bail. Based on information available to the Board as at the date of the announcement, the Board believed that the above matter would not have a material adverse impact to the operations and financial position of the Company and its subsidiaries as a whole.

Further announcement will be made by the Company as and when appropriate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## INTERIM DIVIDEND

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

## EMPLOYEES AND REMUNERATION POLICY

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

# DISCLOSURE OF ADDITIONAL INFORMATION

## DIRECTORS' INTERESTS IN SHARES

As at the 30th June, 2010, 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 ("Model 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	
Mr. Duncan Chiu	61,210,932	–	–	61,210,932	20.21%
Deacon Te Ken Chiu, J.P.	20,848,664	4,175,160 <sup>(1)</sup>	1,869,366	26,893,190	8.88%
Tan Sri Dato' David Chiu (resigned on 7 September 2010)	3,740,000	–	12,337,600 <sup>(2)</sup>	16,077,600	5.31%
Mr. Dennis Chiu	7,040,088	–	4,400,000 <sup>(3)</sup>	11,440,088	3.78%
Mr. Derek Chiu	88,440	–	–	88,440	0.03%
Mr. Desmond Chiu	4,000	–	–	4,000	0.001%

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.

# DISCLOSURE OF ADDITIONAL INFORMATION

## DIRECTORS' INTERESTS IN SHARES (Continued)

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

As at 30th June, 2010, 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 as at 1/1/2010	Exercised during the period	Outstanding as at 30/6/2010			
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>			

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, 2010, 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 2010.

# DISCLOSURE OF ADDITIONAL INFORMATION

## SUBSTANTIAL SHAREHOLDERS

At 30th June, 2010, 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
Mr. Daniel Tat Jung Chiu <sup>(1)</sup>	Beneficial owner and Interest of controlled Corporation	27,720,088	9.15%
Madam Ju Ching Lan <sup>(2)</sup>	Beneficial owner and spouse	26,893,190	8.88%
Gorich Holdings Limited ("Gorich") <sup>(3)</sup>	Beneficial owner	18,480,088	6.10%
Max Point Holdings Limited ("Max Point") <sup>(4)</sup>	Beneficial owner	15,528,480	5.13%
Mr. Chan Wai Ki <sup>(4)</sup>	Interest of controlled Corporation	15,528,480	5.13%

### Notes:

- (1) Of the 27,720,088 shares, 4,840,000 shares are held by Mr. Daniel Tat Jung Chiu, 4,400,000 shares are held by Cape York, and the remaining 18,480,088 shares are held by Gorich.
- (2) Of the 26,893,190 shares, 22,718,030 shares are held by Deacon Te Ken Chiu, J.P., Madam Ju Ching Lan is the spouse of Deacon Te Ken Chiu, J.P.. The interests of Deacon Te Ken Chiu, J.P. in the Company is stated under the section headed "Directors' Interests in Shares" above.
- (3) Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu.
- (4) The entire share capital of Max Point is beneficially owned by Mr. Chan Wai Ki.
- (5) All interests disclosed above represent long positions in the ordinary shares of the Company.

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, 2010.

# DISCLOSURE OF ADDITIONAL INFORMATION

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

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

## CORPORATE GOVERNANCE

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30th June, 2010, with deviation from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

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

## AUDIT COMMITTEE

The audit committee of the Company comprised of one non-executive director and three independent non-executive directors namely, Mr. Derek Chiu, Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and Mr. Andrew Chun Wah Fan respectively. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30th June, 2010.

## REMUNERATION COMMITTEE

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

## INVESTMENT COMMITTEE

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

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

# DISCLOSURE OF ADDITIONAL INFORMATION

## RESIGNATION OF DIRECTOR

On 7 September 2010 the Board announced that Mr. David Chiu has tendered his resignation as a non-executive director of the Company with effect from 7 September 2010. AS he would like to concentrate more efforts in the recent business expansion in Far East Consortium International Limited. Mr. David Chiu confirmed that he has no disagreement with the Board and that there is no matter relating to his resignation as non-executive director of the Company that will need to be brought to the attention of the shareholders of the Company or the Stock Exchange.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific inquiries of all directors of the Company, confirmations have been received of compliance with the required standard set out in the Model Code during the accounting period covered by this interim report.

On behalf of the Board

**DUNCAN CHIU**

*Managing Director and Chief Executive Officer*

Hong Kong, 20th August, 2010

## INTERIM RESULTS

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	Notes	Unaudited six months ended 30th June,	
		2010 HK\$'000	2009 HK\$'000
Revenue	3	15,614	9,997
Cost of sales		(12,517)	(9,401)
Gross profit		3,097	596
Dividend income from available-for-sale investments		49	4
Dividend income from held-for-trading investments		129	166
Other income		88	34
Other gains and losses	4	25,850	4,466
Selling and distribution costs		(4,508)	(4,485)
Administrative expenses		(7,777)	(7,931)
Finance costs	5	(253)	(276)
Share of results of associates	13	638	(5,652)
Share of results of jointly controlled entities		475	184
Profit (loss) before tax	6	17,788	(12,894)
Income tax (expense) credit	7	(131)	188
Profit (loss) for the period		17,657	(12,706)
<b>Other comprehensive income</b>			
Exchange differences arising from translation of foreign operations		271	7,087
Fair value (loss) gain on available-for-sale financial assets		(1,730)	2,292
Share of other comprehensive income of an associate		839	(5,567)
		(620)	3,812
Total comprehensive income (expense) for the period		17,037	(8,894)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	Notes	Unaudited six months ended 30th June,	
		2010 HK\$'000	2009 HK\$'000
<b>Profit (loss) attributable to:</b>			
Owners of the Company		<b>18,725</b>	(10,478)
Minority interests		<b>(1,068)</b>	(2,228)
		<b>17,657</b>	(12,706)
<b>Total comprehensive income (expense) attributable to:</b>			
Owners of the Company		<b>17,978</b>	(7,172)
Minority interests		<b>(941)</b>	(1,722)
		<b>17,037</b>	(8,894)
		<b>HK cents</b>	HK cents
<b>EARNINGS (LOSS) PER SHARE</b>			
Basic	9	<b>6.2</b>	(3.5)
Diluted	9	<b>4.6</b>	(3.5)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2010

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	Notes	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	10	17,365	14,845
Property, plant and equipment		18,594	24,298
Prepaid lease payments	11	1,022	23,019
Goodwill	12	28,830	30,926
Interests in associates	13	115,395	109,693
Interests in jointly controlled entities	14	38,464	37,990
Available-for-sale investments	15	28,058	27,536
Other non-current assets		5,477	5,477
Amount due from a jointly controlled entity		2,450	2,030
		<b>255,655</b>	<b>275,814</b>
<b>CURRENT ASSETS</b>			
Prepaid lease payments	11	32	596
Held-for-trading investments		6,996	23,443
Inventories		4,179	3,613
Trade and other receivables	16	7,082	3,896
Amount due from a minority shareholder		2,470	4,588
Amounts due from a related company		9	9
Tax prepaid		87	–
Deposits held at financial institutions		2,618	2,324
Pledged bank deposits		2,500	2,501
Bank balances and cash		47,688	23,201
		<b>73,661</b>	<b>64,171</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	10,477	15,304
Amounts due to directors		1,580	1,565
Amount due to minority shareholders		1,215	1,207
Amounts due to a related company		1,136	1,136
Tax liabilities		–	107
Bank and other loans			
– due within one year	18	2,064	8,724
Dividend payable to a minority shareholder		20	20
Obligations under finance leases			
– due within one year	19	357	336
		<b>16,849</b>	<b>28,399</b>
<b>NET CURRENT ASSETS</b>		<b>56,812</b>	<b>35,772</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>312,467</b>	<b>311,586</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2010

	Notes	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	20	3,028	3,028
Share premium and reserves		291,579	273,601
Equity attributable to owners of the Company		294,607	276,629
Minority interests		17,828	18,769
		<b>312,435</b>	295,398
<b>NON-CURRENT LIABILITIES</b>			
Bank and other loans			
– due after one year	18	–	15,972
Obligations under finance leases			
– due after one year	19	32	216
		<b>32</b>	16,188
		<b>312,467</b>	311,586

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2010 (Unaudited)

	Attributable to owners of the Company								
	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	Minority interests HK\$'000	Total HK\$'000
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)
<b>Other comprehensive income for the period</b>									
Exchange differences arising from translation of foreign operations	-	-	6,581	-	-	-	6,581	506	7,087
Fair value gain on available-for-sale investments	-	-	-	2,292	-	-	2,292	-	2,292
Share of exchange differences of an associate	-	-	(5,567)	-	-	-	(5,567)	-	(5,567)
	-	-	1,014	2,292	-	-	3,306	506	3,812
Total comprehensive income for the period	-	-	1,014	2,292	-	(10,478)	(7,172)	(1,722)	(8,894)
Capital contribution from minority interests	-	-	-	-	-	-	-	1,428	1,428
Net gain on deemed disposal interest in subsidiaries	-	-	-	-	-	-	-	(125)	(125)
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>
At 1st January, 2010 (audited)	3,028	176,154	27,240	5,622	568	64,017	276,629	18,769	295,398
Profit for the period	-	-	-	-	-	18,725	18,725	(1,068)	17,657
<b>Other comprehensive income for the period</b>									
Exchange differences arising from translation of foreign operations	-	-	144	-	-	-	144	127	271
Fair value loss on available-for-sale investments	-	-	-	(1,730)	-	-	(1,730)	-	(1,730)
Share of exchange differences of an associate	-	-	839	-	-	-	839	-	839
	-	-	983	(1,730)	-	-	(747)	127	(620)
Total comprehensive income for the period	-	-	983	(1,730)	-	18,725	17,978	(941)	17,037
At 30th June, 2010 (unaudited)	<u>3,028</u>	<u>176,154</u>	<u>28,223</u>	<u>3,892</u>	<u>568</u>	<u>82,742</u>	<u>294,607</u>	<u>17,828</u>	<u>312,435</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2010

	Unaudited six months ended 30th June,	
	2010 HK\$'000	2009 HK\$'000
Net cash generated from operating activities	<b>23,468</b>	7,718
Net cash from (used in) investing activities	<b>23,888</b>	(4,927)
Net cash used in financing activities	<b>(23,051)</b>	(1,582)
Net increase in cash and cash equivalents	<b>24,305</b>	1,209
Cash and cash equivalents at beginning of period	<b>23,201</b>	26,564
Effect of foreign exchange rate changes	<b>182</b>	(28)
Cash and cash equivalents at end of period represented by bank balances and cash	<b>47,688</b>	27,745

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and should be read in conjunction with the 2009 annual financial statements.

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

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

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2009 except as described below:

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

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

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

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

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

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

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1st February, 2010.

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

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2011.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2013.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

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

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

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

## 3. SEGMENTS INFORMATION

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 3. SEGMENTS INFORMATION (Continued)

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 3. SEGMENTS INFORMATION (Continued)

### Segment revenues and results

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

2010

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 3. SEGMENTS INFORMATION (Continued)

### Segment revenues and results (Continued) 2009

	Industrial	Entertainment	Technology	Aviation	Other operation	Elimination	Consolidated
	Unaudited six months ended 30th June,						
	2009	2009	2009	2009	2009	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>							
External revenue	6,885	2,728	-	-	384	-	9,997
Inter-segment revenue	-	-	-	-	1,332	(1,332)	-
<b>Total</b>	<b>6,885</b>	<b>2,728</b>	<b>-</b>	<b>-</b>	<b>1,716</b>	<b>(1,332)</b>	<b>9,997</b>
<b>Segment result</b>	<b>103</b>	<b>(6,635)</b>	<b>(4,666)</b>	<b>184</b>	<b>(1,021)</b>	<b>-</b>	<b>(12,035)</b>
Other income							34
Finance costs							(276)
Unallocated expenses							(4,363)
Increase in fair value of derivative financial instruments							(154)
Increase in fair value of held-for-trading investments							4,417
Impairment loss on available-for-sale investments – unlisted							(465)
Impairment loss on interest in an associate – unlisted							(92)
Net gain on deemed disposal of interests in subsidiaries							125
Share of result of an associate							(85)
Loss before tax							(12,894)

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 3. SEGMENTS INFORMATION (Continued)

### Other segment information

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

#### 2010

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

#### 2009

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 3. SEGMENTS INFORMATION (Continued)

### Segment assets and liabilities

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

### Revenue from major products

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

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

### Geographical information

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 3. SEGMENTS INFORMATION (Continued)

### Information about major customers

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

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

## 4. OTHER GAINS AND LOSSES

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 5. FINANCE COSTS

	Unaudited six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Interests on:		
Bank loans		
– wholly repayable within five years	222	52
– not wholly repayable within five years	–	139
Other loans wholly repayable within five years	3	27
Obligations under finance leases	28	58
	<u>253</u>	<u>276</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 6. PROFIT/(LOSS) BEFORE TAX

Unaudited six months  
ended 30th June,  
2010                      2009  
HK\$'000                      HK\$'000

28

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 7. INCOME TAX EXPENSE (CREDIT)

Unaudited six months  
ended 30th June,

2010 2009  
HK\$'000 HK\$'000

The income tax expense (credit) comprises:

PRC Enterprise Income Tax:

Current period

**131**

44

**131**

44

Deferred taxation

-

(232)

**131**

(188)

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

## 8. DIVIDEND

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 9. EARNINGS (LOSS) PER SHARE

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

	<b>Unaudited six months ended 30th June,</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
<b>Earnings (loss):</b>		
Profit (loss) for the period attributable to the owners of the Company for the purpose of basic earnings (loss) per share	<b>18,725</b>	(10,478)
Effect of dilutive potential shares of associate based on dilution of earnings per share	<u><b>(4,773)</b></u>	<u>–</u>
Earnings (loss) for the purpose of diluted earnings (loss) per share	<u><b>13,952</b></u>	<u>(10,478)</u>
	<b>2010</b>	2009

### Number of shares:

Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>302,837,886</b>	302,837,886
Effect of dilutive potential ordinary shares of share options	<u><b>566,567</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u><b>303,404,453</b></u>	<u>302,837,886</u>

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 10. INVESTMENT PROPERTIES

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
<b>FAIR VALUE</b>		
At beginning of period/year	14,845	23,695
Net increase in fair value recognised in profit and loss	2,520	360
Disposals	–	(9,210)
At end of period/year	<u>17,365</u>	<u>14,845</u>

The carrying value of investment properties shown above are situated on:

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
Land in Hong Kong		
Medium – term lease	11,765	9,345
Land outside Hong Kong		
Medium – term lease	5,600	5,500
	<u>17,365</u>	<u>14,845</u>

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

The fair value of the Group's investment properties at 30th June, 2010 and 31st December, 2009 have been arrived at on basis of a valuation carried out by DTZ Debenham Tie Leung Limited, 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 valuations were nil in both period/year and HK\$17,365,000 (31st December, 2009: HK\$14,845,000) 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\$5,865,000 at 30th June, 2010 (31st December, 2009: HK\$5,645,000), 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, 2010

## 11. PREPAID LEASE PAYMENTS

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
The prepaid lease payments comprise the following leasehold land held under medium-term leases:		
Land in Hong Kong	–	22,521
Land in the PRC	<u>1,054</u>	<u>1,094</u>
	<u>1,054</u>	<u>23,615</u>
Analysed for reporting purposes as:		
Current	32	596
Non-current	<u>1,022</u>	<u>23,019</u>
	<u>1,054</u>	<u>23,615</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 12. GOODWILL

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
<b>COST</b>		
At beginning of period/year	47,926	40,326
Adjustment in respect of contingent consideration	—	7,600
At end of period/year	<u>47,926</u>	<u>47,926</u>
<b>IMPAIRMENT</b>		
At beginning of period/year	17,000	13,200
Impairment loss recognised in the period/year	<u>2,096</u>	<u>3,800</u>
At end of period/year	<u>19,096</u>	<u>17,000</u>
<b>CARRYING VALUES</b>		
At end of period/year	<u>28,830</u>	<u>30,926</u>

During the year ended 31st December, 2009, adjustment in respect of contingent consideration for acquisition of subsidiaries amounting to HK\$7,600,000 has been recognised as additional goodwill and an impairment loss of HK\$3,800,000 has been recognised in profit and loss.

During the period ended 30th June, 2010, an impairment loss of HK\$2,096,000 has been recognised in profit and loss.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 13. INTERESTS IN ASSOCIATES

34

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
Cost of investment in associates		
Listed in Hong Kong	18,865	18,865
Unlisted in Hong Kong	342	342
Share of post-acquisition reserves, net of dividends received	96,188	90,486
	<b>115,395</b>	<b>109,693</b>
Market value of listed associate	<b>198,755</b>	<b>126,481</b>

Particulars of associates of the Group at 30th June, 2010 and 31st December, 2009 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
		2010	2009	
Chinasoft International Limited ("Chinasoft")*	Cayman Islands/ PRC	13.08%	13.74%	Provision of information technology services
Vigor Capital Limited ("Vigor")	Hong Kong/ Hong Kong	20.24%	20.24%	Inactive

\* Listed in the Main Board of the Stock Exchange.

### Chinasoft

During the year ended 31st December, 2009, Chinasoft has issued a total of 4,070,000 new shares to share option holders on exercise of their rights under the share options. Accordingly, the Group's shareholding in Chinasoft was diluted and resulted in a loss on deemed disposal of HK\$131,000. In addition, the Group acquired 4,720,000 shares of Chinasoft at a consideration of approximately HK\$2,508,000 resulting in discount on acquisition of additional interest of HK\$1,842,000.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 13. INTERESTS IN ASSOCIATES (Continued)

### Chinasoft (Continued)

As a result of the acquisition of shares by the Group and issuance of new shares by Chinasoft to share option holders, the Group's shareholding in Chinasoft as at 31st December, 2009 is increased to 13.74%.

As announced by the Chinasoft on 29th March, 2010, Chinasoft, Hinge Global Resource Inc. ("HGR") and 99.63% of the Selling Shareholders confirmed and agreed that the net profit of HGR for the year ended 31st December, 2007 shall be deemed less than US\$3.16 million and the earn-out payment shall not be payable. As a result, the directors of the Chinasoft do not believe that the ultimate resolution of this matter will have a material adverse effect on the consolidated financial statements of Chinasoft and accordingly, no adjustment in respect of the contingent purchase consideration is required by Chinasoft as at the end of 2009.

During the period ended 30th June, 2010, Chinasoft has issued a total of 11,910,500, 30,000,000 and 9,208,126 new shares to share option holders on exercise of their rights under the share options, conversion of redeemable convertible preferred shares and issuing of consideration shares. Accordingly, the Group's shareholding in Chinasoft was diluted and resulted in a cumulative gain on deemed disposal of HK\$4,225,000.

As a result of issuance of new shares by Chinasoft to share option holders, conversion of redeemable convertible preferred shares and issuing of consideration shares, the Group's shareholding in Chinasoft as at 30th June, 2010 is decreased to 13.08%.

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

In 2009, Vigor allotted and issued 445,000 new shares to its shareholders at a price of HK\$1 per share. During this share allotment, the Group subscribed for additional 95,000 shares in Vigor at a consideration of HK\$95,000, resulting in an increase of the Group's shareholding in Vigor from 19.84% to 20.24%.

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, 2010

## 13. INTERESTS IN ASSOCIATES (Continued)

### Vigor (Continued)

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

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
Total assets	<b>1,784,904</b>	1,612,850
Total liabilities	<b>(862,823)</b>	(786,648)
Net assets	<b>922,081</b>	826,202
Group's share of net assets of associates	<b>120,642</b>	109,693
	<b>Unaudited six months ended 30th June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Revenue	<b>748,131</b>	501,788
Profit (loss) for the period	<b>4,714</b>	(35,031)
Other comprehensive income for the period	<b>(1,087)</b>	-
Group's share of profit (loss) and other comprehensive income (expense) of associates for the period	<b>638</b>	(5,652)

The associate's loss for the year ended 31st December, 2009 included an impairment loss on goodwill and loss arising from changes in fair value of redeemable convertible preferred shares amounting to approximately HK\$91,800,000 and HK\$54,300,000 respectively.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 14. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
Unlisted investments in jointly controlled entities, at cost less impairment	38,846	38,846
Share of post-acquisition loss	(382)	(856)
	<b>38,464</b>	<b>37,990</b>

at 30th June, 2010 and 31st December, 2009, the Group had interests in the following jointly controlled entities:

Name of entity	Forms of entity	Place of establishment/ operation	Proportion of nominal value of registered capital/ held by the Group		Principal activity
			2010	2009	
Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan") (Note 1)	Incorporated	PRC	20.02%	20.02%	Provision of aviation maintenance services
Orbit-Media Limited (Note 2)	Incorporated	Hong Kong	19.50%	20.75%	Provision of video on demand technology licensing services
北京金瑞高華科技有限公司 (Note 3) <sup>#</sup>	Incorporated	PRC	-	-	Provision of internet technology services

Note 1: In November 2008, the Group acquired 20.02% interest in Beijing Kailan. Under a joint venture agreement, all operating and financial decisions have to be jointly approved by the Group and the joint venture partner.

Note 2: In December 2009, the Group acquired 20.75% interest in Orbit-Media Limited. Under the shareholder agreement, all operating and financial decisions have to be jointly approved by the Group and the joint venture partners.

Note 3: In May 2008, the Group established 北京金瑞高華科技有限公司 in which the Group held 45% equity interest. Under the Memorandum and Articles of Association, all operating and financial decisions have to be jointly approved by the Group and the joint venture partners.

<sup>#</sup> Disposed of in June 2009.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 14. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Included in the cost of unlisted investments in jointly controlled entities is goodwill of HK\$7,509,000 (31st December, 2009: HK\$7,509,000) arising on acquisition of Beijing Kailan. The movements of goodwill is set out below:

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
<b>COST</b>		
At beginning and end of period/year	<u>7,509</u>	<u>7,509</u>
<b>IMPAIRMENT</b>		
At beginning and end of period/year	<u>7,509</u>	<u>7,509</u>
<b>CARRYING VALUES</b>		
At end of period/year	<u>-</u>	<u>-</u>

At 30th June, 2010 and 31st December, 2009, the directors of the Company assessed the entire carrying amount of the interests in jointly controlled entities and consider the carrying amount is recoverable.

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
Current assets	<u>31,261</u>	<u>28,699</u>
Non-current assets	<u>27,640</u>	<u>30,521</u>
Current liabilities	<u>(13,434)</u>	<u>(14,324)</u>
Non-current liabilities	<u>(7,003)</u>	<u>(6,906)</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 14. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

	Unaudited six months ended 30th June	
	2010 HK\$'000	2009 HK\$'000
Income	<b>(7,462)</b>	(6,842)
Expenses	<b>6,987</b>	6,658

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## 15. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	30/6/2010 (unaudited) HK\$'000	31/12/2009 (audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	<b>7,508</b>	9,236
Unlisted equity securities in Hong Kong	<b>20,550</b>	18,300
	<b>28,058</b>	27,536

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 the end of each reporting period 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.

During the year ended 31st December, 2009, the Group disposed of certain unlisted equity securities with carrying amount of nil to an independent third party at HK\$1.

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

At 30th June, 2010, a (decrease) increase in fair value of certain listed investments amounting to HK\$1,730,000 (31st December, 2009: HK\$5,622,000) is recognised in other comprehensive (expense) income and accumulated in investment revaluation reserve.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 16. TRADE AND OTHER RECEIVABLES

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 17. TRADE AND OTHER PAYABLES

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 18. BANK AND OTHER LOANS

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 19. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	30/6/2010	31/12/2009	30/6/2010	31/12/2009
	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>				
Amounts payable under finance lease:				
Within one year	<b>386</b>	386	<b>357</b>	336
More than one year but not exceeding two years	<b>32</b>	225	<b>32</b>	216
	<b>418</b>	611	<b>389</b>	552
Less: Future finance charges	<b>(29)</b>	(59)	<b>-</b>	-
Present value of lease obligations	<b>389</b>	552	<b>389</b>	552
Less: Amount due within one year shown under current liabilities			<b>(357)</b>	(336)
			<b>32</b>	216

Obligations under finance leases are secured by motor vehicles. The terms of the leases range from one to two years (31st December, 2009: two years to three years). Interest rates are fixed at 5.25% per annum (31st December, 2009: 5.25% per annum). No arrangements have been entered into for contingent rental payment.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 20. SHARE CAPITAL

	Number of Shares		Share Capital	
	30/6/2010	31/12/2009	30/6/2010 HK\$'000	31/12/2009 HK\$'000
Ordinary shares of HK\$0.01 each:				
<b>Authorised:</b>				
At beginning and end of period/year	<u>70,000,000,000</u>	<u>70,000,000,000</u>	<u>700,000</u>	<u>700,000</u>
<b>Issued and fully paid:</b>				
At beginning and end of period/year	<u>302,837,886</u>	<u>302,837,886</u>	<u>3,028</u>	<u>3,028</u>

## 21. 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. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 30th June, 2010, the number of shares to be issued in respect of which options had been granted and remained outstanding under the Scheme is 2,300,000 (At 31st December, 2009: 2,300,000) shares.

No shares options were granted, exercised during the period/year.

Details of the share options outstanding at 30th June, 2010 as follows:

Capacity of grantee	Grant date	Adjusted exercise price HK\$	Exercisable period (both days inclusive)	Number of Share Options			
				Balance at 1.1.2010	Granted during the period	Exercised during the period	Balance at 30.06.2010
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>2,300,000</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 21. SHARE OPTION SCHEME (Continued)

Details of the share options outstanding at 31st December, 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 year	Exercised during the year	Balance at 31.12.2009
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>2,300,000</u>

The weighted average exercise price and share price at the date of exercise of the share options for the year ended 31st December, 2008 was HK\$1.19 and HK\$3.50 respectively.

The estimated fair values of the options granted on 21st April, 2006 vested in 2006 and 2007 are HK\$0.4964 and HK\$0.5613 respectively. The market price of the shares at the date of grant was HK\$1.34. These fair values were calculated using the Black-Scholes pricing model.

## 22. PLEDGE OF ASSETS

At 30th June, 2010:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$6.1 million (31st December, 2009: HK\$13.4 million), of which nil (31st December, 2009: HK\$5.9 million) had been utilised after considering deposits held by financial institutions, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK\$10.8 million (31st December, 2009: HK\$25.3 million) and HK\$5.5 million (31st December, 2009: HK\$20.2 million), respectively. The listed investments comprise held-for-trading securities and equity shares in an associate held by the Group;
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$17.1 million (31st December, 2009: HK\$17.1 million), of which nil had been utilised in both period/year, are secured by a floating charge over certain investment properties and property, plant and equipment and other non-current assets of the Group;

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 22. PLEDGE OF ASSETS (Continued)

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- (c) short term loan and margin facilities in respect of securities transactions to the extent of approximately HK\$233.5 million (31st December, 2009: HK\$232.7 million), of which nil had been utilised in both period/year after considering deposits held by financial institutions, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK\$103.2 million (31st December, 2009: HK\$97.5 million) and HK\$18.7 million (31st December, 2009: HK\$17.9 million), respectively. The listed investments comprised held-for-trading securities and equity shares in an associate held by the Group;
  - (d) bank loan facilities to the extent of approximately nil (31st December, 2009: HK\$18.9 million), of which nil (31st December, 2009: HK\$16.8 million) were drawdown and fully utilised, is secured by the Group's leasehold land and building in Hong Kong with an aggregate carrying value of approximately nil (31st December, 2009: HK\$26.3 million); and
  - (e) letter of credit facilities to the extent of approximately HK\$5.0 million (31st December, 2009: HK\$5.0 million), of which HK\$2.1 million (31st December, 2009: HK\$2.0 million) has been utilised, is secured by the Group's bank deposit amounted to approximately HK\$2.5 million (31st December, 2009: HK\$2.5 million).

## 23. CONTINGENT LIABILITIES

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 24. OPERATING LEASE ARRANGEMENTS

### The Group as lessor

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

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

### The Group and the Company as lessee

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

#### (i) Leased premises

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

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

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

## 25. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	Unaudited six months ended 30th June	
		2010 HK\$'000	2009 HK\$'000
A minority shareholder of a subsidiary	Sales of goods	5,755	4,394
	Purchases of materials	220	329
Related companies	Rental expenses	-	168

The Company performed certain administrative services for its subsidiaries for which a management fee of nil (six months ended 30th June, 2009: HK\$612,000) was charged to the subsidiaries.

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

## 26. EVENT AFTER THE REPORTING PERIOD

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

As disclosed in the announcement of the Company dated 6 September 2010, the Company was informed on 3 September 2010 that one director and two employees of the Company have been charged by the Commercial Crime Bureau of the Hong Kong Police Force in respect of alleged offences including section 157H (2)(a) of the Companies Ordinance, Cap. 32 of the Laws of Hong Kong. Based on the information available to the board of directors (the "Board"), one director and two employees are now on bail. Based on information available to the Board as at the date of the announcement, the Board believed that the above matter would not have a material adverse impact to the operations and financial position of the Company and its subsidiaries as a whole.

Further announcement will be made by the Company as and when appropriate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.