

I n t e r i m R e p o r t

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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

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, MBA

Solicitors

Sit, Fung, Kwong & Shum
King & Wood

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Authorised Representatives

Mr. Duncan Chiu, B.Sc.

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

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.

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 2101-2102, 21st Floor,
Far East Consortium Building,
121 Des Voeux Road Central, Hong Kong
Telephone: 3521 3800
Facsimile: 3521 3821
Email: info@fehholdings.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: 0036
Board Lot Size: 3000

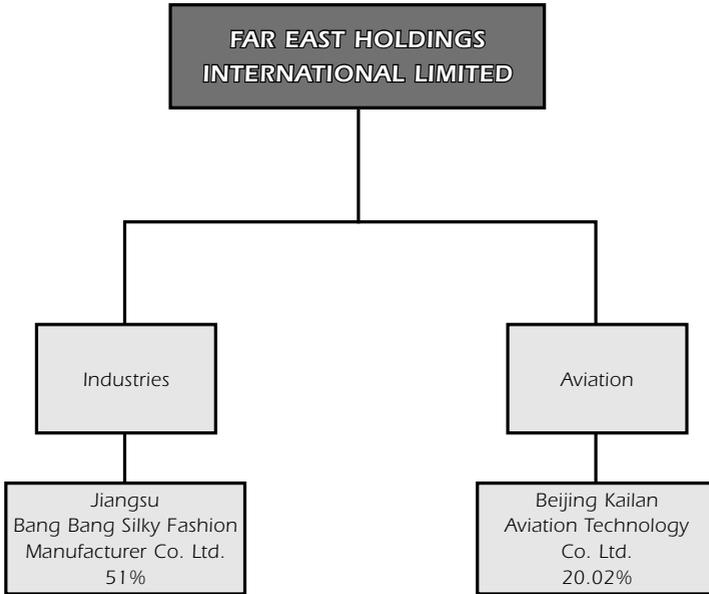
Website

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

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CORPORATE PROFILE



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE RESULTS

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

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

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

BUSINESS REVIEW AND PROSPECTS

Business Review

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

Aviation Maintenance Holdings

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

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

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

Garment Manufacturing Industry

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity, Capital Structure and Financial Resources

As at 30th June, 2011, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$62.42 million (2010: HK\$37.05 million). Basically, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 30th June, 2011, the Group had borrowings of HK\$3.01 million (2010: HK\$2.95 million).

Gearing Ratio and Current Ratio

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

Capital Structure

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

Pledge of Assets

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

Exposure on Foreign Exchange Fluctuations

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

CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

As at 30th June, 2011, the Group did not have any material contingent liabilities (2010: Nil).

Commitments

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2011, the Group had approximately 285 employees in Hong Kong and PRC (2010: 340 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group was adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 2,300,000 (2010: 2,300,000) share options outstanding under the share option scheme as at 30th June, 2011.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at the 30th June, 2011, 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	
Mr. Duncan Chiu	61,210,932	–	–	61,210,932	20.21%
Deacon Te Ken Chiu, J.P.	20,848,664	4,175,160 ⁽¹⁾	1,869,366	26,893,190	8.88%
Mr. Dennis Chiu	7,040,088	–	4,400,000 ⁽²⁾	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 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, 2011, 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 1/1/2011	Exercised during the period	Outstanding as at 30/6/2011			
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, 2011, 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, 2011.

DISCLOSURE OF ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2011, 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 ⁽¹⁾	Beneficial owner and Interest of controlled Corporation	27,720,088	9.15%
Madam Ju Ching Lan ⁽²⁾	Beneficial owner and spouse	26,893,190	8.88%
Gorich Holdings Limited ("Gorich") ⁽³⁾	Beneficial owner	18,480,088	6.10%
Tan Sri Dato' David Chiu ⁽⁴⁾	Beneficial owner and Interest of controlled Corporation	16,077,600	5.31%
Max Point Holdings Limited ("Max Point") ⁽⁵⁾	Beneficial owner	15,528,480	5.13%
Mr. Chan Wai Ki ⁽⁵⁾	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) Of the 16,077,600 shares, 3,740,000 shares are held by Tan Sri Dato' David Chiu, 12,337,600 shares are held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu.
- (5) The entire share capital of Max Point is beneficially owned by Mr. Chan Wai Ki.
- (6) 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, 2011.

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 Period, with deviation from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

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

AUDIT COMMITTEE

The audit committee of the Company comprised of one non-executive director and three independent non-executive directors namely, Mr. Derek Chiu, Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and Mr. Andrew Chun Wah Fan respectively.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30th June, 2011.

REVIEW OF INTERIM RESULTS

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

REMUNERATION COMMITTEE

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

DISCLOSURE OF ADDITIONAL INFORMATION

INVESTMENT COMMITTEE

The Investment Committee has five members, namely, Mr. Duncan Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Mr. Eugene Yun Hang Wang and Dr. Lee G. Lam is the Chairman of the Investment Committee.

The functions of the Investment Committee include advising the Board of Directors in considering investment strategy and reviewing investment proposals.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

GENERAL

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

On behalf of the Board
DEREK CHIU
Director

Hong Kong, 29th August, 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED

遠東控股國際有限公司

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 30, which comprises the condensed consolidated statement of financial position of Far East Holdings International Limited (the "Company") and its subsidiaries as of 30th June, 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30th June, 2010 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29th August, 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2011

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2011

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30th June, 2011

	Notes	30.6.2011 HK\$'000 (unaudited)	31.12.2010 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	10	21,760	18,755
Property, plant and equipment	10	9,402	18,315
Prepaid lease payments		974	1,003
Interests in jointly controlled entities		40,988	39,918
Available-for-sale investments	11	300,349	298,644
Other non-current assets		–	5,506
		373,473	382,141
CURRENT ASSETS			
Prepaid lease payments		33	33
Held-for-trading investments		25,645	11,067
Inventories		4,464	4,712
Trade and other receivables	12	2,799	5,033
Amount due from a non-controlling interest		3,426	4,146
Amount due from a related company		9	9
Deposits held at financial institutions		36,611	4,951
Pledged bank deposits		40	2,541
Bank balances and cash		25,767	29,558
		98,794	62,050
Assets classified as held for sale	7	15,369	–
		114,163	62,050
CURRENT LIABILITIES			
Trade and other payables	13	3,157	16,870
Amounts due to directors		1,599	1,617
Amounts due to non-controlling interests		297	1,242
Amount due to a related company		1,136	1,136
Tax liabilities		132	39
Other loans		–	2,952
Dividend payable to a non-controlling interest		644	380
Obligations under finance leases – due within one year		302	479
		7,267	24,715
Liabilities associated with assets classified as held for sale	7	20,534	–
		27,801	24,715
NET CURRENT ASSETS		86,362	37,335
TOTAL ASSETS LESS CURRENT LIABILITIES		459,835	419,476

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30th June, 2011

	Note	30.6.2011 HK\$'000 (unaudited)	31.12.2010 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	14	3,028	3,028
Share premium and reserves		440,904	399,500
Equity attributable to owners of the Company		443,932	402,528
Non-controlling interests		15,089	15,997
		459,021	418,525
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		814	951
		459,835	419,476

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2011

	Attributable to 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	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	Total HK\$'000		
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
Other comprehensive income (expense) for the period										
Exchange differences arising from the 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 (expense) for the period	-	-	983	(1,730)	-	-	18,725	17,978	(941)	17,037
At 30th June, 2010 (unaudited)	3,028	176,154	28,223	3,892	568	-	82,742	294,607	17,828	312,435
At 1st January, 2011 (audited)	3,028	176,154	8,477	3,448	568	(5,224)	216,077	402,528	15,997	418,525
Loss for the period	-	-	-	-	-	-	(10,102)	(10,102)	(751)	(10,853)
Other comprehensive income for the period										
Exchange differences arising from the translation of foreign operations	-	-	1,051	-	-	-	-	1,051	323	1,374
Fair value gain on available-for-sale investments	-	-	-	48,205	-	-	-	48,205	-	48,205
Reclassification adjustment upon disposal of available-for-sale investments	-	-	-	2,250	-	-	-	2,250	-	2,250
	-	-	1,051	50,455	-	-	-	51,506	323	51,829
Total comprehensive income (expense) for the period	-	-	1,051	50,455	-	-	(10,102)	41,404	(428)	40,976
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(480)	(480)
At 30th June, 2011 (unaudited)	3,028	176,154	9,528	53,903	568	(5,224)	205,975	443,932	15,089	459,021

Note:

Other reserve represented adjustments arising from acquisition of additional interests in subsidiaries of HK\$3,325,000 and change in the ownership of the same subsidiaries which resulted in the adjustments to non-controlling interests of HK\$1,899,000 arising from the capital contribution to the subsidiaries by the Company during the second half of the year ended 31st December, 2010.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2011

	Six months ended	
	30.6.2011 HK\$'000 (unaudited)	30.6.2010 HK\$'000 (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(24,122)	2,760
INVESTING ACTIVITIES		
Increase in deposits held at financial institutions	(31,660)	(293)
Proceeds from disposal of property, plant and equipment	82	48,049
Net proceeds from disposal of available-for-sales investments	46,394	–
Proceeds from disposal of other non-current assets	7,000	–
Others	(119)	(3,160)
NET CASH FROM INVESTING ACTIVITIES	21,697	44,596
FINANCING ACTIVITIES		
New bank and other loans raised	–	8,535
Repayment of bank and other loans	–	(31,185)
Others	(585)	(401)
NET CASH USED IN FINANCING ACTIVITIES	(585)	(23,051)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,010)	24,305
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	29,558	23,201
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	336	182
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash including balances grouped under assets classified as held for sales	26,884	47,688

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

3. SEGMENT INFORMATION

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

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

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

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

Segment revenues and results

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

Six months ended 30th June, 2011

Continuing operations

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

3. SEGMENT INFORMATION (Continued)

Six months ended 30th June, 2010

Continuing operations

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

4. OTHER GAINS AND LOSSES

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

5. (LOSS) PROFIT BEFORE TAX

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2011	30.6.2010
	HK\$'000	HK\$'000
Continuing operations		
The People's Republic of China (the "PRC")		
Enterprise Income Tax	131	131

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

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

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

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

8. DIVIDEND

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

9. (LOSS) EARNING PER SHARE

From continuing and discontinued operations

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

9. (LOSS) EARNING PER SHARE (Continued)

From continuing operations

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

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

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

From discontinued operations

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

There is no significant acquisition or disposal of property, plant and equipment during both periods, other than the disposal of land and building with carrying amount of approximately HK\$27,000,000 during the period ended 30th June, 2010.

The fair value of the Group's investment properties at 30th June, 2011 and 31st December, 2010 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties. The resulting increase in fair value of investment properties of HK\$3,005,000 has been recognised directly in profit or loss for the six months ended 30th June, 2011 (six months ended 30th June, 2010: HK\$2,520,000).

11. AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group disposed of equity securities listed in Hong Kong with fair value of HK\$46,500,000 (six months ended 30th June, 2010: nil) with reclassification adjustment of investment revaluation reserve of HK\$2,250,000 upon its disposal. The fair value gain on available-for-sale investments for the period ended 30th June, 2011 of HK\$48,205,000 was directly credited to investment revaluation reserve.

12. TRADE AND OTHER RECEIVABLES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

13. TRADE AND OTHER PAYABLES

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

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

14. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31st December, 2010 and 30th June, 2011	<u>70,000,000,000</u>	<u>700,000</u>
Issued and fully paid:		
At 30th June, 2010, 31st December, 2010 and 30th June, 2011	<u>302,837,886</u>	<u>3,028</u>

15. PLEDGE OF ASSETS

At 30th June, 2011:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$6.3 million (31st December, 2010: HK\$6.5 million), of which nil has been utilised at the end of the reporting periods are secured by the listed investments and deposit held at financial institutions of the Group of approximately HK\$26.8 million (31st December, 2010: HK\$23.8 million). The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2011

15. PLEDGE OF ASSETS (Continued)

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

16. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transactions	Six months ended	
		30.6.2011 HK\$'000	30.6.2010 HK\$'000
A non-controlling interest of a subsidiary	Sales of goods	5,144	5,755
	Purchases of materials	112	220

Compensation of key management personnel

During the period, the Group's remuneration paid to the directors, the key management personnel of the Group are as follows:

	Six months ended	
	30.6.2011 HK\$'000	30.6.2010 HK\$'000
Short-term benefits	1,640	1,095
Post-employment benefits	30	30
	1,670	1,125