



Far East Holdings International Limited

Stock Code : 36

Interim Report

2012

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Deacon Te Ken Chiu, J.P. (Chairman)

Mr. Derek Chiu

Mr. Richard Yen (Managing Director and
Chief Executive Officer)

Mr. Ip Ngai Sang

Non-executive Director

Mr. Desmond Chiu

Independent Non-executive Directors

Dr. Lam Lee G.

Mr. Eugene Yun Hang Wang

Mr. Lee Kwan Hung

COMPANY SECRETARY

Ms. Man Tsz Sai Lavender

LEGAL ADVISERS

Sit, Fung, Kwong & Shum
King & Wood Mallesons

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Derek Chiu

Ms. Man Tsz Sai Lavender

AUDIT COMMITTEE

Dr. Lam Lee G. (Chairman)

Mr. Eugene Yun Hang Wang

Mr. Lee Kwan Hung

REMUNERATION COMMITTEE

Dr. Lam Lee G. (Chairman)

Mr. Derek Chiu

Mr. Eugene Yun Hang Wang

NOMINATION COMMITTEE

Mr. Eugene Yun Hang Wang (Chairman)

Mr. Derek Chiu

Dr. Lam Lee G.

INVESTMENT COMMITTEE

Dr. Lam Lee G. (Chairman)

Mr. Derek Chiu

Mr. Eugene Yun Hang Wang

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

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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 Code : 36

Board Lot : 3000

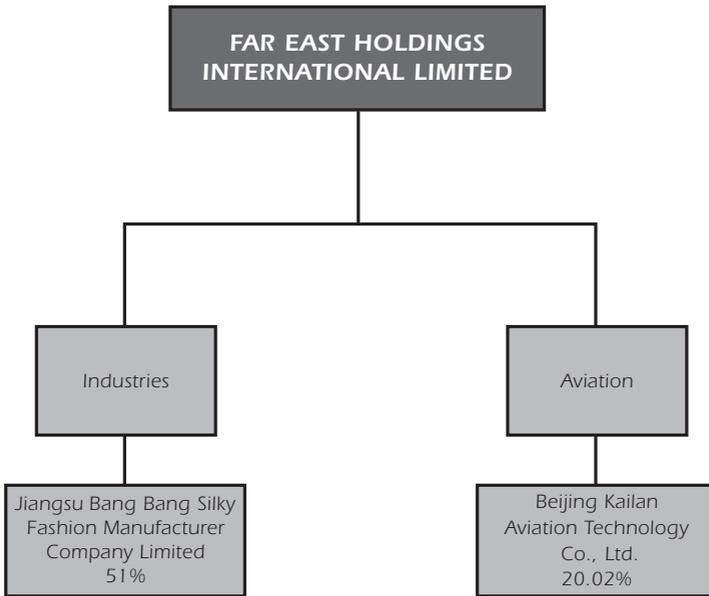
WEBSITE

<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, 2012 (the "Period"), the operating activities of Far East Holdings International Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded a revenue of approximately HK\$8.09 million (30th June, 2011: HK\$11.15 million), representing a decrease of 27.4% over corresponding period in 2011.

Loss attributable to owners of the Company for the Period amounted to approximately HK\$1.40 million (30th June, 2011: loss HK\$10.10 million).

The basic loss per share for the Period narrowed 86.2% to 0.46 HK cents (30th June, 2011: basic loss per share of 3.34 HK cents), compare to the same period in 2011.

The Group recorded total comprehensive expense for the Period amounted to approximately HK\$33.38 million (30th June, 2011: total comprehensive income amounted to approximately HK\$40.98 million) mainly arising from the unrealised loss of available-for-sale investments.

BUSINESS REVIEW AND PROSPECTS

Business Review

During the Period, the Group was principally engaged 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 RMB1.20 million (30th June, 2011: RMB0.95 million), representing an increase of 26.3% over that of last period.

The aviation industry is expected to grow steadily in the PRC. BKAT believed that the demand for the aviation maintenance services will grow gradually. However, higher costs and competition are increasing the pricing pressure and threatening the profit margin.

Garment Manufacturing Industry

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

For the Period, JBB recorded revenue of approximately HK\$8.09 million (30th June, 2011: HK\$11.15 million), representing 27.4% decrease comparing to the same period in 2011 and loss before tax of HK\$1.98 million (30th June, 2011: profit before tax of HK\$0.52 million).

The garment industry continues to be challenging due to increasing costs and low demand. Japan's economic recovery is not clear and birth rate is still at low levels, putting pressure on JBB's children clothing business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS (Continued)

Events After the Period

Completion of Connected Transaction – Disposal of a subsidiary

Subsequent to the Period, the Company disposed of the entire issued share capital of, and assigned a receivable due from a subsidiary of the Company, Cathay Motion Picture Studios Limited (“Cathay Motion”) to a connected party of the Group at an aggregate cash consideration of HK\$8,500,000. The major asset of Cathay Motion is an investment property located in Hong Kong with fair value of HK\$8,500,000 as at 30th June, 2012. The disposal resulted in a gain of approximately HK\$10,000. Details of the disposal were set out in the announcement of the Company dated 13th July, 2012.

Resumption of Trading

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended since 3rd September, 2010. As all the resumption conditions have been fulfilled, the Stock Exchange approved the resumption of trading of the shares of the Company on 17th July, 2012.

Prospects

Although current market conditions poses various challenges to some of the legacy business, the Group will continue to identifying new potential merger and acquisition opportunities in the PRC market. The Group has the capability to leverage its strength and expertise in a wide range of industries that offer solid potential when opportunity arises.

FINANCIAL REVIEW

Liquidity, Capital Structure and Financial Resources

As at 30th June, 2012, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$89.94 million (31st December, 2011: HK\$73.61 million). Fundamentally, the Group’s funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 30th June, 2012, the Group had no bank and other loans (31st December, 2011: Nil).

Gearing Ratio

As the Group did not have any interest bearing bank loans, the gearing ratio was zero as at 30th June, 2012 (31st December, 2011: Nil).

Current Ratio

The Group’s current ratio (current assets to current liabilities) as at 30th June, 2012 decreased to 21.53 (31st December, 2011: 23.61). On the whole, the financial position and liquidity of the Group remained stable.

Capital Structure

During the Period, there was no change to the share capital of the Company. As at 30th June, 2012, the total number of issued ordinary shares of the Company was 302,837,886 shares.

Exposure on Foreign Exchange Fluctuations

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 30th June, 2012, the Group did not have any material contingent liabilities (31st December, 2011: Nil).

Capital Commitments

As at 30th June, 2012, the Group had no significant capital commitments (31st December, 2011: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the period 1st January, 2012 to 30th June, 2012, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

INTERIM DIVIDEND

No dividends were paid, declared or proposed during the Period. The directors of the Company (the "Directors") do not recommend the payment of an interim dividend.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2012, the Group had approximately 215 employees in Hong Kong and the PRC (31st December, 2011: approximately 230 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 adopted a share option scheme on 23rd May, 2005 (the "Share Option Scheme") and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 1.32 million (31st December, 2011: 1.32 million) share options outstanding under the Share Option Scheme as at 30th June, 2012.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30th June, 2012, the interests and short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions

(a) Ordinary shares of HK\$0.01 each of the Company

Name of Director	Number of issued ordinary shares held			Total number of shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Deacon Te Ken Chiu, J.P.	20,848,664	4,175,160 <i>(Note 1)</i>	1,869,366 <i>(Note 2)</i>	26,893,190	8.88%
Mr. Derek Chiu	88,440	-	-	88,440	0.03%
Mr. Desmond Chiu	4,000	-	-	4,000	0.001%

Notes:

1. These shares were held by Madam Chiu Ju Ching Lan, spouse of Deacon Te Ken Chiu, J.P.. By virtue of the SFO, Deacon Te Ken Chiu, J.P. was deemed to be interested in the shares held by Madam Chiu Ju Ching Lan.
2. These shares were held by the various companies which were wholly and beneficially owned by Deacon Te Ken Chiu, J.P.. By virtue of the SFO, Deacon Te Ken Chiu, J.P. was deemed to be interested in the shares held by the various companies.

Save as disclosed above, none of the Directors had registered the interest and short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30th June, 2012.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (Continued)

(b) Share options

The Share Option Scheme was adopted pursuant to a resolution passed on 23rd May, 2005 for the purpose of providing incentives and rewards to employees or executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the Directors may grant options to eligible employees, including Directors and its subsidiaries, to subscribe for shares in the Company.

Movements relating to the options granted under the Share Option Scheme during the Period were as follows:

Grantee	Number of shares options				Outstanding as at 30/6/2012	Exercise price HK\$	Date of grant	Exercisable period (Both days inclusive)
	Outstanding as at 1/1/2012	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period				
Employees	660,000	-	-	-	660,000	0.6091	21/4/2006	23/5/2006-22/5/2016
	660,000	-	-	-	660,000	0.6091	21/4/2006	23/5/2007-22/5/2017
	<u>1,320,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,320,000</u>			

No share options of the Company were granted, exercised, cancelled or lapsed during the Period.

DISCLOSURE OF ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations", the following shareholders had notified the Company of their interests, directly or indirectly, in 5% or more of the issued share capital of the Company:

Name of substantial shareholder	Capacity	Number of shares of the Company held	Approximate percentage of issued share capital of the Company
Mr. Duncan Chiu	Beneficial owner	61,210,932	20.21%
Mr. Daniel Tat Jung Chiu ^(Note 1)	Beneficial owner and interest of controlled corporation	27,720,088	9.15%
Gorich Holdings Limited ("Gorich") ^(Notes 1 & 2)	Beneficial owner	18,480,088	6.10%
Madam Chiu Ju Ching Lan ^(Note 3)	Beneficial owner and spouse	26,893,190	8.88%
Tan Sri Dato' David Chiu ^(Note 4)	Beneficial owner and interest of controlled corporation	16,077,600	5.31%
Max Point Holdings Limited ("Max Point") ^(Note 5)	Beneficial owner	15,528,480	5.13%
Mr. Chan Wai Ki ^(Note 5)	Interest of controlled corporation	15,528,480	5.13%

Notes:

- (1) Of the 27,720,088 shares, 4,840,000 shares were held by Mr. Daniel Tat Jung Chiu, 4,400,000 shares were held by Cape York Investments Limited, 50% of which was owned by Mr. Daniel Tat Jung Chiu, and the remaining 18,480,088 shares were held by Gorich. By virtue of the SFO, Mr. Daniel Tat Jung Chiu was deemed to be interested in the shares held by Cape York Investments Limited and Gorich.
- (2) Gorich was wholly-owned by Mr. Daniel Tat Jung Chiu.
- (3) Of the 26,893,190 shares, 22,718,030 shares were held by Deacon Te Ken Chiu, J.P., spouse of Madam Chiu Ju Ching Lan. By virtue of the SFO, Madam Chiu Ju Ching Lan was deemed to be interested in the shares held by Deacon Te Ken Chiu, J.P.. The interests of Deacon Te Ken Chiu, J.P. in the Company was stated under the section headed "Directors' interests and short positions in shares and underlying shares of the Company or any associated corporations" above.
- (4) Of the 16,077,600 shares, 3,740,000 shares were held by Tan Sri Dato' David Chiu, 12,337,600 shares were held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu. By virtue of the SFO, Tan Sri Dato' David Chiu was deemed to be interested in the shares held by Rocket High Investments Limited.
- (5) The entire share capital of Max Point was beneficially owned by Mr. Chan Wai Ki.

* All interests disclosed above represent long positions in the ordinary shares of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, the Company had not been notified by any other person who have interests or short positions in the shares and underlying shares of the Company or any of its associated corporations which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register of substantial shareholders of the Company under Section 336 of the SFO, or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company as at 30th June, 2012.

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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Each of the Directors confirmed that he has complied with the Model Code during the Period.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the Period, the updated information on Directors discloseable under Rule 13.51B(1) of the Listing Rules were as follows:

- Dr. Lam Lee G., an independent non-executive Director, retired as an independent non-executive director but acted as advisor of Mingyuan Medicare Development Company Limited (stock code: 233) with effect from 30th May, 2012; and
- Mr. Lee Kwan Hung, an independent non-executive Director, was appointed as independent non-executive director of 中海石油化学股份有限公司 (China BlueChemical Ltd.*) (stock code: 3983) on 5th June, 2012. On 18th July, 2012, Mr. Lee Kwan Hung tendered his resignation as independent non-executive director of New Universe International Group Limited (stock code: 8068) ("New Universe") and accepted by the board of directors of New Universe on 19th July, 2012.

Save as disclosed above, none of the Directors have any changes in the information required to be disclosed under Rule 13.51B(1) of the Listing Rules during the Period.

* for identification purpose only

DISCLOSURE OF ADDITIONAL INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code and Report”) contained in Appendix 14 to the Listing Rules during the Period, with deviation from code provision A.4.1 of the CG Code and Report in respect of the service term and rotation of Directors.

None of the existing non-executive Directors is appointed for a specific term except for Mr. Lee Kwan Hung who was appointed as independent non-executive Director on 1st March, 2012. This constitutes a deviation from code provision A.4.1 of the CG Code and Report. However, all Directors are subject to retirement at the annual general meeting under articles 79 and 80 of the Company’s articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code and Report.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the board of Directors (the “Board”) with written terms of reference pursuant to the provisions as set out in the CG Code and Report. As at the date of this interim report, the Remuneration Committee comprises three members, namely, Dr. Lam Lee G. (chairman of the Remuneration Committee) and Mr. Eugene Yun Hang Wang, both are independent non-executive Directors, and Mr. Derek Chiu, an executive Director.

The Remuneration Committee is principally responsible for formulating and making recommendation to the Board on the Group’s policy and structure for all remuneration of Directors and senior management.

AUDIT COMMITTEE

An Audit Committee was established by the Board with written terms of reference pursuant to the provisions as set out in the CG Code and Report. As at the date of this interim report, the Audit Committee comprises three independent non-executive Directors, namely, Dr. Lam Lee G. (chairman of the Audit Committee), Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.

The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements and unaudited interim results for the six months ended 30th June, 2012.

DISCLOSURE OF ADDITIONAL INFORMATION

NOMINATION COMMITTEE

A Nomination Committee was established by the Board on 28th March, 2012 with written terms of reference pursuant to the provisions as set out in the CG Code and Report. As at the date of the interim report, the Nomination Committee comprises three members, namely, Mr. Eugene Yun Hang Wang (chairman of the Nomination Committee) and Dr. Lam Lee G., both are independent non-executive Directors, and Mr. Derek Chiu, an executive Director.

The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition.

REVIEW OF INTERIM REPORT

The interim report of the Group for the six months ended 30th June, 2012 have been reviewed by the Audit Committee and the Company's auditor, Deloitte Touche Tohmatsu, which are of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and the legal requirements, and that adequate disclosures have been made.

By order of the Board
Far East Holdings International Limited
Richard Yen
Managing Director

Hong Kong, 31st August, 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 condensed consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 28, which comprises the condensed consolidated statement of financial position as of 30th June, 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31st August, 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

		Six months ended	
	Notes	30.6.2012 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (unaudited)
Continuing operations			
Revenue	3	8,089	11,145
Cost of sales		(9,138)	(9,784)
		<hr/>	<hr/>
Gross (loss) profit		(1,049)	1,361
Dividend income from available-for-sale investments		62	47
Dividend income from held-for-trading investments		4	35
Other income		375	406
Other gains and losses	4	5,864	1,909
Selling and distribution costs		(52)	(37)
Administrative expenses		(7,879)	(8,770)
Finance costs		(21)	(36)
Share of results of jointly controlled entities		295	227
		<hr/>	<hr/>
Loss before tax	5	(2,401)	(4,858)
Income tax expense	6	-	(131)
		<hr/>	<hr/>
Loss for the period from continuing operations		(2,401)	(4,989)
Discontinued operations			
Loss for the period from discontinued operations	7	-	(5,864)
		<hr/>	<hr/>
Loss for the period		(2,401)	(10,853)
		<hr/>	<hr/>
Other comprehensive (expense) income			
Exchange differences arising from the translation of foreign operations		(39)	1,374
Fair value (loss) gain on available-for-sale investments		(30,941)	48,205
Reclassification adjustment upon disposal of available-for-sale investments		-	2,250
		<hr/>	<hr/>
Other comprehensive (expense) income for the period		(30,980)	51,829
		<hr/>	<hr/>
Total comprehensive (expense) income for the period		(33,381)	40,976
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

	Note	Six months ended	
		30.6.2012 HK\$'000 (unaudited)	30.6.2011 HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(1,403)	(10,102)
Non-controlling interests		(998)	(751)
		<u>(2,401)</u>	<u>(10,853)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(32,479)	41,404
Non-controlling interests		(902)	(428)
		<u>(33,381)</u>	<u>40,976</u>
		HK cents	HK cents
Loss per share	9		
From continuing and discontinued operations			
– basic		<u>(0.46)</u>	<u>(3.34)</u>
– diluted		<u>(0.46)</u>	<u>(3.34)</u>
From continuing operations			
– basic		<u>(0.46)</u>	<u>(1.67)</u>
– diluted		<u>(0.46)</u>	<u>(1.67)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	Notes	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	10	15,870	15,760
Property, plant and equipment	10	8,282	8,889
Prepaid lease payments		892	939
Interests in jointly controlled entities		43,611	43,549
Available-for-sale investments		233,923	264,864
		302,578	334,001
CURRENT ASSETS			
Prepaid lease payments		31	32
Held-for-trading investments		14,893	30,090
Inventories		2,889	4,091
Trade and other receivables	11	2,511	4,058
Amount due from a non-controlling interest		3,151	3,175
Amounts due from related parties		9	9
Tax recoverable		-	69
Deposits held at financial institutions		39,638	18,639
Pledged bank deposits		41	41
Bank balances and cash		50,261	54,929
		113,424	115,133
CURRENT LIABILITIES			
Trade and other payables	12	1,907	1,399
Amounts due to non-controlling interests		297	297
Amounts due to related parties		2,781	2,903
Obligations under finance leases			
– due within one year		284	277
		5,269	4,876
NET CURRENT ASSETS		108,155	110,257
TOTAL ASSETS LESS CURRENT LIABILITIES		410,733	444,258

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	Note	30.6.2012 HK\$'000 (unaudited)	31.12.2011 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	13	3,028	3,028
Share premium and reserves		390,475	422,954
Equity attributable to owners of the Company		393,503	425,982
Non-controlling interests		16,700	17,602
		410,203	443,584
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year		530	674
		410,733	444,258

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2012

	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	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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)	<u>3,028</u>	<u>176,154</u>	<u>9,528</u>	<u>53,903</u>	<u>568</u>	<u>(5,224)</u>	<u>205,975</u>	<u>443,932</u>	<u>15,089</u>	<u>459,021</u>
At 1st January, 2012 (audited)	3,028	176,154	9,773	23,117	568	-	213,342	425,982	17,602	443,584
Loss for the period	-	-	-	-	-	-	(1,403)	(1,403)	(998)	(2,401)
Other comprehensive income (expense) for the period										
Exchange differences arising from the translation of foreign operations	-	-	(135)	-	-	-	-	(135)	96	(39)
Fair value loss on available-for-sale investments	-	-	-	(30,941)	-	-	-	(30,941)	-	(30,941)
	-	-	(135)	(30,941)	-	-	-	(31,076)	96	(30,980)
Total comprehensive expense for the period	-	-	(135)	(30,941)	-	-	(1,403)	(32,479)	(902)	(33,381)
At 30th June, 2012 (unaudited)	<u>3,028</u>	<u>176,154</u>	<u>9,638</u>	<u>(7,824)</u>	<u>568</u>	<u>-</u>	<u>211,939</u>	<u>393,503</u>	<u>16,700</u>	<u>410,203</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2012

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	16,084	(24,122)
INVESTING ACTIVITIES		
Increase in deposits held at financial institutions	(20,999)	(31,660)
Acquisition of property, plant and equipment	(17)	–
Proceeds from disposal of property, plant and equipment	5	82
Net proceeds from disposal of available-for-sales investments	–	46,394
Proceeds from disposal of other non-current assets	–	7,000
Others	375	(119)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(20,636)	21,697
CASH USED IN FINANCING ACTIVITIES		
Others	(312)	(585)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,864)	(3,010)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	54,929	29,558
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	196	336
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	50,261	26,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as 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").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain 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, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*;
- amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*; and
- amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*.

The application of the above amendments to 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

3. SEGMENT INFORMATION

Information reported to the Managing Director and Chief Executive Officer of the Group, being the chief operating decision makers (the "CODM"), for the purposes of resource allocation and assessment of segment performance is organised into the following operating and reportable segments which focus on the category of different industries and is consistent with the basis of organisation in the Group:

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

During the prior period, the Group's entertainment segment had been classified as discontinued operations as a result of the Disposal and Subscription Transaction as set out in note 7.

Segment revenues and results

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

Six months ended 30th June, 2012

Continuing operations

	Industrial HK\$'000	Aviation HK\$'000	Other operation HK\$'000	Consolidated HK\$'000
Segment and external revenue	<u>8,089</u>	<u>-</u>	<u>-</u>	<u>8,089</u>
Segment result	<u>(2,301)</u>	<u>295</u>	<u>(283)</u>	<u>(2,289)</u>
Other income				375
Finance costs				(21)
Unallocated expenses				(6,220)
Increase in fair value of held-for-trading investments				<u>5,754</u>
Loss before tax (continuing operations)				<u>(2,401)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

3. SEGMENT INFORMATION (Continued)

Six months ended 30th June, 2011

Continuing operations

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

Segment result represents the profit (loss) 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 and gain on disposal of other non-current assets. 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, 2012

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
Continuing operations		
Increase (decrease) in fair value of held-for-trading investments	5,754	(234)
Increase in fair value of investment properties	110	3,005
Gain on disposal of other non-current assets	–	1,494
Loss on disposal of available-for-sale investments	–	(2,356)
	<u>5,864</u>	<u>1,909</u>

5. LOSS BEFORE TAX

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
Continuing operations		
Loss before tax has been arrived at after charging:		
Amortisation of prepaid lease payments	53	50
Depreciation (<i>Note</i>)	<u>657</u>	<u>950</u>

Note: Depreciation amounting to HK\$nil (six months ended 30th June, 2011: HK\$957,000) was included in administrative expenses classified under discontinued operations.

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
Continuing operations		
The People's Republic of China (the "PRC") Enterprise Income Tax	<u>–</u>	<u>131</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

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 were engaged in the entertainment operations, at an aggregate consideration of HK\$8,000,000 which was 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 were engaged in providing audio visual equipment and audio visual information technology solutions. Details of the Disposal and Subscription Transaction were set out in the circular dated 30th June, 2011. The Disposal and Subscription Transaction was completed on 30th August, 2011. Immediately after the Disposal and Subscription Transaction, the Group holds 18.1% equity interest in Market Talent which is classified as available-for-sale investments.

The loss from the discontinued operations for the prior period was analysed as follows:

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

The result of the entertainment operations for the prior period was as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

8. DIVIDEND

No dividends were paid, declared or proposed during the interim periods.

9. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30.6.2012 HK\$'000	30.6.2011 HK\$'000
Loss for the purpose of basic and diluted loss per share	<u>(1,403)</u>	<u>(10,102)</u>
Number of shares:		
Number of ordinary shares in issue for the purposes of basic and diluted loss per share	<u>302,837,886</u>	<u>302,837,886</u>

From continuing operations

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

	Six months ended	
	30.6.2012 HK\$'000	30.6.2011 HK\$'000
Loss for the period attributable to the owners of the Company	(1,403)	(10,102)
Less: loss for the period from discontinued operations attributable to the owners of the Company	<u>-</u>	<u>(5,035)</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<u>(1,403)</u>	<u>(5,067)</u>

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

From discontinued operations

Basic and diluted loss per share from discontinued operations was 1.66 HK cents per share for the period ended 30th June, 2011, based on the loss for the period from discontinued operations of HK\$5,035,000 and the denominators detailed above for both basic and diluted loss per share for continuing operations.

The diluted loss per share for both periods has not assumed the effect of share options as it would result in a decrease in the loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

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

There was no significant acquisition or disposal of property, plant and equipment during both periods.

The fair value of the Group's investment properties at 30th June, 2012 and 31st December, 2011 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\$110,000 has been recognised directly in profit or loss for the six months ended 30th June, 2012 (six months ended 30th June, 2011: HK\$3,005,000).

11. 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:

	30.6.2012	31.12.2011
	HK\$'000	HK\$'000
Past due:		
0 to 30 days	438	1,243
31 to 60 days	313	120
61 to 90 days	326	822
Over 90 days	366	859
Total trade receivables	1,443	3,044
Other receivables	1,068	1,014
	2,511	4,058

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2012

12. 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:

	30.6.2012	31.12.2011
	HK\$'000	HK\$'000
0 to 30 days	443	116
Over 90 days	42	42
Total trade payables	485	158
Other payables and accruals	1,422	1,241
	<u>1,907</u>	<u>1,399</u>

13. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 31st December, 2011 and 30th June, 2012	<u>70,000,000,000</u>	<u>700,000</u>
Issued and fully paid:		
At 30th June, 2011, 31st December, 2011 and 30th June, 2012	<u>302,837,886</u>	<u>3,028</u>

14. PLEDGE OF ASSETS

At 30th June, 2012:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$6.1 million (31st December, 2011: HK\$6.4 million) are secured by the listed investments and deposit held at financial institutions of the Group of approximately HK\$22.7 million (31st December, 2011: HK\$24.9 million). None of these facilities has been utilised at the end of the reporting periods. 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, 2012

14. PLEDGE OF ASSETS (Continued)

- (b) overdraft and revolving loan facilities to the extent of approximately HK\$17.1 million (31st December, 2011: HK\$17.1 million) are secured by the deposit held at financial institutions of the Group of approximately HK\$41,000 (31st December, 2011: HK\$41,000). None of these facilities has been utilised at the end of the reporting periods; and
- (c) short term loan and margin facilities in respect of securities transactions to the extent of approximately HK\$233.5 million (31st December, 2011: HK\$233.1 million) are secured by the listed investments and deposit held at financial institutions of the Group of approximately HK\$220.1 million (31st December, 2011: HK\$241.8 million). None of these facilities has been utilised at the end of the reporting periods. The listed investments comprise held-for-trading securities and available-for sale investment held by the Group.

15. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions during the year:

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group are as follows:

	Six months ended	
	30.6.2012	30.6.2011
	HK\$'000	HK\$'000
Short-term benefits	1,935	1,640
Post-employment benefits	31	30
	<u>1,966</u>	<u>1,670</u>

16. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the current interim period, the Company disposed of the entire issued share capital of, and assigned a receivable due from, a subsidiary of the Company, Cathay Motion Picture Studios Limited to a connected party of the Group at an aggregate cash consideration of HK\$8,500,000. The major asset of the subsidiary is an investment property located in Hong Kong with a fair value of HK\$8,500,000 at 30th June, 2012. The disposal resulted in a gain of approximately HK\$10,000. Details of the disposal are set out in the announcement dated 13th July, 2012.