

Interim report

2009

KongSun  **江山**

Kong Sun Holdings Limited

Stock Code : 295

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Tse On Kin (*Chairman*)
 Chan Chi Yuen
 Yu Pak Yan, Peter

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lau Man Tak
 Man Kwok Leung
 Wong Yun Kuen

COMPANY SECRETARY

Mak Wai Ho

REGISTERED OFFICE

Unit C, 10th Floor
 Wings Building
 110-116 Queen's Road Central
 Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited
 16th Floor, United Center
 95 Queensway
 Hong Kong

SOLICITORS

D. S. Cheung & Co.
 Henry Fok & Co.

SHARE REGISTRARS AND TRANSFER OFFICE

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

295

CONTACT INFORMATION

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The Board of Directors (the “Board”) of Kong Sun Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover	4	19,336	–
Cost of sales		(16,974)	–
		2,362	–
Other revenue		1,211	209
Fair value change of convertible bonds		(60,553)	–
Fair value change of promissory notes		(2,330)	–
Staff costs		(4,062)	(525)
Other operating expenses		(8,873)	(787)
Loss from operations		(72,245)	(1,103)
Finance costs	5	(5,003)	(3,054)
Share of losses of associates		–	(1,323)
Loss before taxation	6	(77,248)	(5,480)
Income tax	7	–	–
Loss for the period		(77,248)	(5,480)
Attributable to:			
Equity holders of the Company		(77,248)	(5,479)
Minority interests		–	(1)
		(77,248)	(5,480)
Loss per share – Basic	8	(1.83 cents)	(0.21 cents)
– Diluted	8	N/A	N/A

Consolidated Statement of Comprehensive Income is not presented as the Group had no other comprehensive income for both the six months ended 30 June 2009 and 30 June 2008.

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2009

	<i>Notes</i>	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Non-current assets			
Investment properties	10	45,000	45,000
Property, plant and equipment	11	38,299	35,438
Prepaid lease payments	12	15,367	15,367
		98,666	95,805
Current assets			
Held for trading investments	13	550	–
Inventories	14	33,842	17,832
Trade and bills receivables	15	8,536	14,629
Prepayments, deposits and other receivables		82,041	735
Prepaid lease payments	12	473	473
Pledged deposit		6,582	6,809
Cash and cash equivalents		43,846	78,202
		175,870	118,680
Current liabilities			
Trade and other payables	16	46,969	38,717
Other borrowings		2,014	4,784
Tax payable		569	356
Convertible bonds designated at financial liabilities at fair value through profit or loss		58,400	87,200
Promissory notes		–	12,818
		107,952	143,875
Net current assets		67,918	(25,195)
Total assets less current liabilities		166,584	70,610

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

30 June 2009

	<i>Notes</i>	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Non-current liabilities			
Deferred tax liabilities		11,155	11,200
Convertible bonds designated at financial liabilities at fair value through profit or loss		46,753	8,000
Promissory notes		23,465	21,252
		81,373	40,452
		85,211	30,158
Capital and reserves			
Share capital	17	604,217	320,116
Reserves		(519,017)	(289,969)
Total equity attributable to equity holders of the Company		85,200	30,147
Minority interests		11	11
		85,211	30,158

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Capital			Exchange		Special Accumulated		Total	Minority interest	Total equity
	Share capital	Share premium	Redemption reserves	General reserves	fluctuation reserve	reserve	losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	256,116	329,049	20	18,000	6,397	9,329	(563,584)	55,327	12	55,339
Exchange realignment	-	-	-	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	(5,479)	(5,479)	(1)	(5,480)
At 30 June 2008	256,116	329,049	20	18,000	6,397	9,329	(569,063)	49,848	11	49,859
Exchange realignment	-	-	-	-	2,047	-	-	2,047	-	2,047
Net loss for the period	-	-	-	-	-	-	(37,748)	(37,748)	-	(37,748)
Issue of shares on conversion of convertible bonds	64,000	(48,000)	-	-	-	-	-	16,000	-	16,000
At 31 December 2008 and at 1 January 2009	320,116	281,049	20	18,000	8,444	9,329	(606,811)	30,147	11	30,158
Net loss for the period	-	-	-	-	-	-	(77,248)	(77,248)	-	(77,248)
Issue of shares on conversion of convertible bonds	202,401	(151,800)	-	-	-	-	-	50,601	-	50,601
Placement of shares	81,700	-	-	-	-	-	-	81,700	-	81,700
At 30 June 2009	604,217	129,249	20	18,000	8,444	9,329	(684,059)	85,200	11	85,211

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(12,150)	(1,711)
NET CASH USE IN INVESTING ACTIVITIES	(4,615)	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	(17,591)	1,501
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,356)	(210)
Cash and cash equivalents at beginning of period	78,202	953
CASH AND CASH EQUIVALENTS AT END OF PERIOD	43,846	743
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	43,846	743

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual audited financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual audited financial statements. The condensed consolidated interim unaudited financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Company has adopted the following new and revised HKFRSs, amendments to HKFRSs and new Interpretations for the first time for the current period’s financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating segments

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.

3. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting segment format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group is currently engaged in property investment and development, manufacture and sale of life-like plants and provision for financial services. These segments are the basis on which the Group reports its primary segment information.

	Property investment and development For the six months ended 30 June		Financial services For the six months ended 30 June		Manufacture & sale of life-like plants For the six months ended 30 June		Consolidation For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue:								
Revenue from external customers	785	-	-	-	18,551	-	19,336	-
Inter-segment sales	-	-	-	-	-	-	-	-
Other revenue and net income from external customers	-	-	-	-	-	-	1,211	-
Total	785	-	-	-	18,551	-	20,547	-
Segment results	659	(71)	-	-	(6,828)	-	(6,169)	(71)
Unallocated operating expenses							(66,076)	(1,032)
Loss from operations							(72,245)	(1,103)
Finance costs							(5,003)	(3,054)
Share of profits less losses of associates							-	(1,323)
Loss before taxation							(77,248)	(5,480)
Income tax							-	-
Loss for the period							(77,248)	(5,480)

3. SEGMENT REPORTING (continued)
(a) Business segments (continued)

	Property investment and development		Financial services		Manufacture & sale of life-like plants		Consolidated	
	30 June 2009 HK\$'000	31 December 2008 HK\$'000	30 June 2009 HK\$'000	31 December 2008 HK\$'000	30 June 2009 HK\$'000	31 December 2008 HK\$'000	30 June 2009 HK\$'000	31 December 2008 HK\$'000
	Assets and liabilities							
Segment assets	46,999	45,715	550	1	107,332	104,953	154,881	150,669
Unallocated corporate assets							119,655	63,816
Total assets							274,536	214,485
Segment liabilities	4,818	16,825	-	19	29,436	20,548	34,254	37,392
Unallocated corporate liabilities							155,071	146,935
Total liabilities							189,325	184,327
Capital expenditure through acquisition of subsidiaries	-	45,491	-	-	-	50,787	-	96,278
Impairment loss recognized in respect of other receivables	-	390	-	-	-	-	-	390

3. SEGMENT REPORTING (continued)

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	PRC		Hong Kong		Europe		America		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue:										
Revenue from external customers	-	-	1,097	-	2,540	-	15,699	-	19,336	-
Other segment information:										
Segment assets	44,049	25,568	216,817	175,222	13,670	13,670	-	25	274,536	214,485
Capital expenditure through acquisition of subsidiaries	-	49,998	-	46,280	-	-	-	-	-	96,278

4. TURNOVER

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue from sale of life-like plants	18,551	-
Rental income	785	-
	19,336	-

5. FINANCE COSTS

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on:		
Other loans wholly repayable within five years	12	3,054
Convertible bonds repayable within five years	3,699	–
Promissory notes repayable within five years	1,292	–
	<hr/>	<hr/>
	5,003	3,054

6. LOSS BEFORE TAX

The Group's loss before tax is stated at after charging:

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Contributions to the retirement benefit scheme	70	25
Directors' remuneration:		
– Fees	–	–
– Other emoluments	390	350
Impairment loss on held for trading investments	473	–
Depreciation	958	–
Operating lease rental on rented premises	458	108
Exchange difference, net	197	–

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the six months ended 30 June 2009 and 2008.

No provision for overseas taxation has been made as the overseas subsidiaries had no estimated assessable profits arising from their jurisdictions during the six months ended 30 June 2009 and 2008.

The Group did not have material unprovided deferred tax as at the balance sheet date (2008: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company for the six months ended 30 June 2009 of approximately HK\$77,248,000 (2008: HK\$5,479,000) and on the weighted average of 4,219,520,000 (2008: 2,561,167,000) shares in issue during the period.

Diluted loss per share for the periods ended 30 June 2009 has not be presented as the effect of any dilution is anti-dilutive. No diluted loss per share has been presented for the period ended 30 June 2008 as there was no diluting events existed during the period.

9. INTERIM DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2009 (2008: Nil).

10. INVESTMENT PROPERTIES

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Investment properties, stated at fair value	45,000	45,000

The investment properties of the Group are situated in Hong Kong and held under medium-term leases.

11. PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposals

For the six months ended 30 June 2009, the Group spent approximately HK\$4,310,000 for acquisition of machinery and equipment and leasehold improvement. The Group did not have any disposal during the six months ended 30 June 2009.

12. PREPAID LEASE PAYMENTS

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Non-current assets	15,367	15,367
Current assets	473	473
	15,840	15,840

13. HELD FOR TRADING INVESTMENTS

The held for trading investments comprise equity securities listed in Hong Kong and are stated at fair values which are based on the quoted market bid prices on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

14. INVENTORIES

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Raw materials	24,824	15,602
Work in progress	2,504	1,930
Finished goods	6,514	300
	33,842	17,832

15. TRADE AND BILLS RECEIVABLES

Trade and bills receivables at the balance sheet date with ageing analysis, as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
1-30 days	8,395	4,131
31-90 days	2	2,580
91-180 days	72	7,875
181-360 days	25	8
1-2 years	16	30
Over 2 years	26	5
	8,536	14,629
Less: Impairment	–	–
	8,536	14,629

The Group allows a credit period normally receive from 0 day to 90 days to its trade customers.

16. TRADE AND OTHER PAYABLES

Included in trade and other payables at the balance sheet date are trade payables with ageing analysis, as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
1-30 days	11,675	2,388
31-90 days	8,045	434
91-180 days	876	9,075
181-360 days	299	–
1-2 years	4,364	4,364
	25,259	16,261

17. SHARE CAPITAL

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Authorised:		
40,000,000,000 (2008: 40,000,000,000) ordinary shares of HK\$0.10 each	4,000,000	4,000,000
Issued and fully paid:		
6,042,166,921 (2008: 3,201,166,921) ordinary shares of HK\$0.10 each	604,217	320,116

18. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under noncancellable operating leases which fall due as follows:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Within one year	312	45

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2009 HK\$'000	31 December 2008 HK\$'000
Within one year	1,870	1,363
In the second to fifth year	1,125	25
	2,995	1,388

19. LITIGATION

Mr. Cheung Yik Wang

On 3 November 2003, an action was commenced by Mr. Cheung Yik Wang ("CYW"), who claims himself as an investor of Easterner Limited which owns 46% of Xswim (Holding) Limited ("Xswim Holding") which is a 54% owned subsidiary of the Company, against Mr. Kong Li Szu ("Mr. Kong") as 1st defendant, the Company's director, and the Company as 2nd defendant for recovering a sum of HK\$11,600,000 together with interest and costs in connection with a cheque issued on 20 December 2002 by the Company to CYW which was dishonoured upon presentation for payment. It was alleged that the cheque was issued by the Company as a guarantee for payment of a cheque issued by Mr. Kong. A defence was filed by the Company on 19 January 2004. CYW also filed a reply to defence on 17 February 2004. Up to the date of approval of the report, this action is still in progress and no hearing date has been fixed.

In the opinion of the directors, in 2002, Xswim Holding, a non-wholly owned subsidiary of the Company, and its subsidiaries ("Xswim Group") advanced the Company an aggregate of approximately HK\$15,241,000. In 2002, the Company repaid Xswim Group HK\$5,600,000 leaving a balance of approximately HK\$9,641,000 outstanding (the "Outstanding Balance") and requested CYW to advance HK\$2,000,000 (the "Intended Loan") to the Company. As a result, the Company and Mr. Kong respectively issued on 20 December 2002 a cheque with an amount of HK\$11,600,000 each payable to CYW as securities for the Outstanding Balance and the Intended Loan, although CYW has never advanced the Intended Loan to the Company. The Company repaid in full the Outstanding Balance to Xswim Group in 2003. Upon the full repayment of the Outstanding Balance in 2003, in the opinion of the directors, the Company no longer had legal or financial obligations to pay CYW and thus refused to present the cheque previously issued to CYW in 2003.

With the advices by the Company's legal adviser, the directors are of the opinion that the Group has proper and valid defences to the CYW's action and accordingly, no provision for loss has been accounted for in these financial statements.

20. CONTINGENT LIABILITIES

Champ Capital Limited

Pursuant to an exclusive franchisee agreement dated 1 January 2003 ("the Franchisee Agreement") entered into between Xswim Technology, a non-wholly owned subsidiary of the Company, and Champ Capital Limited (the "Franchisee"), Xswim Technology granted the Franchisee an exclusive right to trade the computer products and office equipment of Xswim Technology in Guangdong Province and Beijing, the PRC, for a period from 1 January 2003 to 1 April 2007. In addition, Xswim Technology agreed to buy back the underlying franchise licence for HK\$15,000,000 upon termination of the Agreement, both in the case of normal or early termination, and to spend HK\$1,000,000 as merchandising assistance in promoting the products of Xswim Technology.

20. CONTINGENT LIABILITIES *(continued)*

Champ Capital Limited *(continued)*

As the Franchisee had breached the Agreement to perform its duty, inter alia, to trade the products of Xswim Technology in Guangdong Province and Beijing, the PRC, Xswim Technology had terminated the Franchisee Agreement with effect from 28 November 2003. Although there were no clauses stipulated in the Franchisee Agreement that the breach would discharge the obligations of Xswim Technology to buy back the franchise licence and to pay the merchandising assistance, the directors are of the opinion that the Group had no legal or financial obligations to buy back the franchise licence and to pay the merchandising assistance when the Franchisee failed to discharge its obligation by, inter alia, trading the products of Xswim Technology in Guangdong Province and Beijing, the PRC. No action has been taken by the Franchisee in respect of the abovementioned clause up to the date of approval of the report.

With the advices by the Company's external legal adviser, the directors are of the opinion that the Franchisee would not be entitled or able to (i) exercise the option to resell the underlying franchise licence to the Group, or (ii) demand the Group payment of the merchandising assistance in promoting the products of Xswim Technology, on the ground that the Franchisee Agreement was likely to be void and not enforceable by the courts of Hong Kong, at which the Franchisee Agreement was construed. Accordingly, no provision for commitment or loss for the franchise licence and merchandising assistance has been accounted for in these financial statements.

21. POST BALANCE SHEET EVENT

Conversion of convertible bonds

On 21 August 2009, 1,292,000,000 shares of HK\$0.10 each were issued to the convertible bonds holders upon the partial conversion of the convertible bonds in principal amount of HK\$32,300,000 at an average conversion price of HK\$0.025 each.

Capital reduction and change in board lot size

As mentioned in the announcement dated 19 June 2009 and the circular dated 29 June 2009 issued by the Company, the Company intended to implement a capital reduction by cancelling the issued and paid up capital to the extent of HK\$0.09 on each of the shares in issue and any further shares which may be issued prior to the date in which the petition for the confirmation of the capital reduction is heard by the Court of First Instance in Hong Kong and by reducing the nominal value of all the issued and unissued shares from HK\$0.10 to HK\$0.01 each ("Capital Reduction"). The Company also intended to change the board lot size of the shares for trading on the Stock Exchange from 2,000 shares to 20,000 shares ("Change in Board Lot Size"). The Capital Reduction is conditional upon the passing of a special resolution by the shareholders of the Company, the confirmation of the Capital Reduction by the High Court of the Hong Kong Special Administrative Region ("High Court"), the registration of the order of the High Court and the minutes thereof by the Registrar of Companies in Hong Kong and the grant of approval of the listing of, and permission to deal in, the shares in issue upon the Capital Reduction becoming effective by the Listing Committee of the Stock Exchange. The resolutions approving the Capital Reduction and the Change in Board Lot Size were duly passed by the shareholders of the Company at an extraordinary general meeting on 22 July 2009 and thereafter the Company made a petition to the High Court for confirmation of the Capital Reduction. The date for the High Court hearing of the case management summons ("Summons Hearing") has been fixed on 13 October 2009. The date of the subsequent High Court hearing of the petition to confirm the Capital Reduction will be determined in the Summons Hearing.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

The Company's principal activity continued to be investment holding whilst its subsidiaries are mainly engaged in property investment and development, manufacture and sale of life-like plants and provision of financial services.

Turnover during the six months ended 30 June 2009 had been increased to HK\$19,336,000 which were mainly derived from newly acquired subsidiaries in the property investment business and manufacture and sale of life-like plants business. Loss attributable to shareholders had been broadened to HK\$77,248,000. The substantial increase was mainly caused by the adverse effect of the change in the fair value of convertible bonds of HK\$60,553,000 during the six months ended 30 June 2009.

Properties investment

The Group's property investment business, comprising commercial and industrial properties in Hong Kong, had contributed approximately HK\$785,000 to the total revenue of the Group for the six months ended 30 June 2009. Given the recovery of the Hong Kong properties market from the financial crisis, it is expected that revenue from the property business could have a healthy growth in the coming future.

Life-like plants business

The life-like plants business had contributed approximately HK\$18,551,000 to the total revenue of the Group for the six months ended 30 June 2009. The results of the segment had been far from satisfactory due to the rising material cost and the economy downturn in last period. Given the recovery of the worldwide economy, it is anticipated that the results of the business will be more fruitful in the coming year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects

The Group is now concentrating on its properties investment in Hong Kong and the manufacture and sale of life-like plants business. Attention of the Group for the coming months will be to synchronize these businesses so as to produce a sustained and long term benefits to the Group. Much effort will be made to optimize the value of its current business and the seeking of investment opportunities with great potential value. As mentioned, with the recovery of the worldwide economy, it is expected that the future results of the Group will truly reflect its inherent and potential value.

SHARE CAPITAL

During the six months ended 30 June 2009, the share capital of the company had the following changes:

On 5 January and 8 June 2009, 2,024,000,000 ordinary shares of HK\$0.10 each in the capital of the Company were issued upon the conversion of the convertible bonds.

On 29 June 2009, 817,000,000 ordinary shares of HK\$0.10 each in the capital of the Company were issued pursuant to a placing agreement in relation to the placing of new shares of the Company at the price of HK\$0.10 per placing shares.

LIQUIDITY AND CAPITAL RESOURCE

As at 30 June 2009, the total shareholders fund of the Group amounted to HK\$85.2 million, compared to HK\$30.1 million as at 31 December 2008.

As at 30 June 2009, the net asset value of the Group was HK\$85.2 million. The Group's current assets were increased to HK\$175.9 million as at 30 June 2009 from HK\$118.7 million as at 31 December 2008. Other borrowings of the Group had been reduced to HK\$2 million as at 30 June 2009 from HK\$4.8 million as at 31 December 2008.

LIQUIDITY AND CAPITAL RESOURCE *(continued)*

As at 30 June 2009, the Group's debt ratio, which was calculated as a ratio of current liabilities plus non-current liabilities to total equity, was 2.22 which had been greatly reduced from 6.11 as at 31 December 2008.

For the six months ended in 30 June 2009, most assets, liabilities and transactions of the Group are denominated in Renminbi ("RMB"), Hong Kong dollars and Malaysian Ringgit ("MYR"). In view of the currency stability on RMB and MYR, they did not have a significant impact on the performance of the Group. Hence, the Group had not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate active to reduce the exchange risks.

INVESTMENT POSITION AND PLANNING

During the six months ended 30 June 2009, the Group spent approximately HK\$4,310,000 for acquisition of machinery and equipment and leasehold improvement.

The Group has invested in shares of a company that is traded over the Stock Exchange. As at 30 June 2009, the Group held shares with fair value of approximately HK\$0.5 million, after recognising unrealised loss of approximately HK\$473,000 attributed from the lower market prices compared with the purchase price.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2009, certain of the Group's time deposits in the amount of HK\$6,582,000 (2008: HK\$6,809,000) had been pledged to secure an undrawn facility and for issuance of guarantee letter for constructions.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, the Group has approximately 400 employees located in Hong Kong, PRC and Malaysia. They are remunerated according to the nature of the job market trends, with built-in merit components incorporated in annual review to reward and motivate individual performance.

CONNECTED TRANSACTIONS

There are no transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Convertible bonds

Amount outstanding as at 30 June 2009	Interest rate	Subscription price	Number of new shares which may be issued at 30 June 2009
(1) HK\$58,400,000	8%	HK\$0.025	2,336,000,000
(2) HK\$40,000,000	4%	HK\$0.10	400,000,000

Other than the outstanding convertible bonds as disclosed above, the Company had no other outstanding convertible securities, options, warrants or other similar rights at 30 June 2009.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES

At 30 June 2009, none of the directors or chief executives of the Company or their associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for securities transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

At 30 June 2009, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES *(continued)*

Name	Number of ordinary share capital	Percentage of issued shares held
So Chi Ming	902,735,656	14.94%
Integrated Asset Management (Asia) Limited	756,000,000	12.51%
Au Tsui Yee, Maggie	726,000,000	12.02%

Save as disclosed above, at 30 June 2009, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

NEW SHARE OPTION SCHEME

By an ordinary resolution passed in an extraordinary general meeting of the shareholders on 22 July 2009, a new share option scheme ("New Share Option Scheme") was adopted by the Company and the old share option scheme ("Old Share Option Scheme") adopted on 30 June 2003 was terminated. The purpose of the New Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. The exercise price of the options will be determined by the Board at its absolute discretion and notified to an option-holder. The minimum option price shall not be less than the highest of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the grant date;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and
- (c) the nominal value of the shares.

NEW SHARE OPTION SCHEME *(continued)*

The vesting period, the exercisable period and the number of shares subject to each option are determined by the Board at the time of grant. No option was granted by the Company under the Old Share Options Scheme and the New Share Option Scheme since its adoption to the date of the report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009, with deviation from code provision A.4.1 of the Code in respect of the service term and rotation of directors.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, none of the existing independent non-executive directors of the Company is appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code in this respect.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by directors. Having made specific enquiry of the directors, the directors confirmed that they have complied with the code throughout the six months ended 30 June 2009.

CONTINUING DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES

Advance to entities under Rule 13.13 of the Listing Rules:

At 30 June 2009, the Group had a loan receivable of approximately HK\$39,510,000 and the accrued loan interest receivable of approximately HK\$5,358,000 due from a shareholder of the Group's associate, United Victoria (the "Borrower"). Pursuant to the loan agreement, interest of the loan is chargeable at 4% over prime rate per annum. The loan is secured by a pledge of the 20% equity interest in United Victoria owned by the Borrower. The loan was originally due for repayment in 2003. The loan and interest receivables remain outstanding and overdue as at 30 June 2009. A provision of approximately HK\$5,358,000 had been made against the accrued interest receivable in previous years. The loan receivable balance of HK\$39,510,000 had been fully impaired during the year ended 31 December 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the appropriateness and consistent application of significant accounting principles and policies adopted by the Group, and discussed judgement issues, accounting estimates, adequacy of disclosures and internal consistency of the interim financial report for the six months ended 30 June 2009.

On behalf of the Board

Tse On Kin

Chairman

Hong Kong, 23 September 2009